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and the Fifth Malaysia Plan (1986-1990)

The Kampuchean Issue Revisited

Book Reviews



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Rupiah Devaluation: New Wine in an Old Bottle

In the evening of 12th September 1986 the Indonesian government decided to devalue the rupiah, the country's currency, by 31 per cent from US\$ 0.880282 to US\$ 0.608273 per 1,000 rupiahs. This devaluation took place only three years after the previous one. Cumulatively, the external value of the rupiah has eroded by 62 per cent since 1980.

Quoting the standard argument for a currency devaluation, the Minister of Finance joined later on by other ministers and the President himself tried to persuade the public that the devaluation is unavoidable if the current account deficit is to remain within a tolerable limit and the deteriorating growth performance is to regain momentum in the mid-term. This explanation is difficult to digest, not only for the laymen but also for economic observers and businessmen alike. Accordingly, the reaction of the public has, by and large, been negative.

Unlike the 1983 devaluation which was announced on the wake of a dollar rush, the 1986 devaluation is widely perceived to be unnecessary from an economic viewpoint. According to provisional statistics of the Central Bank, the country's trade balance in the first half of 1986 has improved slightly as compared to the first half of 1985 as a result of an increase in oil export by US\$682 million and a decrease in other export by US\$384 million. The balance of services may have deteriorated as a result of increased interest payments following the yen appreciation. The same may have happened to long-term capital as loan amortisation increases. However, these increase in debt services has already been expected as early as April 1986 when the government budget 1986/1987 was announced together with an estimate of the balance of payments for the same year. In fact, the Governor of the Central Bank stated only few days before the devaluation that Indonesia's foreign exchange reserve is

large enough to finance possible deterioration in the balance of payments and that there is no need to worry about devaluation. This statement was seemingly well-taken by the foreign exchange market which showed no sign of a dollar rush, though the net foreign assets of the Central Bank as a component of changes in money supply did show an uninterrupted decline from February through July 1986. In other words, observers as well as businessmen do not share the government's view that the devaluation was meant to rescue the balance of payments.

What is obvious is the intention of the government to inflate its budget revenue by creating more rupiah from decreased dollar revenue from oil and gas export, money transfer from external borrowing and taxation of international trade. Indeed, the devaluation became unavoidable from a budget policy viewpoint as the government sticks to its budget policy tradition which include a refusal to revise expenditures downwards irrespective of a declining revenue, a refrain from borrowing domestically in order to maintain the Indonesian version of a balanced budget, and a conservative stance on external borrowing as a decreased reliance on external borrowing has been declared as one of the maxims of a budget policy. Like a new wine in an old bottle, the 1986 devaluation was primarily meant as a fiscal policy measure, however incredible it may sound to economists.

It is hard to believe that a devaluation can be of great help to improving Indonesia's balance of payments. In spite of declining prices, oil and natural gas continue to constitute nearly 70 per cent of Indonesia's total export. To be precise, these two commodities constituted 68 per cent of the total export in the first half of 1986. Another 12 per cent came from timber, rubber, tin, copper, nickel and other minerals. The constraints facing the export of these commodities are well-known. A devaluation could hardly generate additional international demand for these commodities, even if exporters dare to lower their FOB prices which is unlikely. The story about other exportable is also well-known. The few items of manufactured products in which Indonesia has succeeded to improve its competitiveness are confronted with high import content and limited access abroad while other items for which there is a growing demand are suffering from supply constraint or home-made hindrances that make export much less profitable than domestic sales. In short, the environment is not there for a devaluation to work effectively in boosting export.

A decline in import is among the stated objectives of a devaluation. Indeed, any devaluation provides disincentives to import. However, it is questionable whether a further decline of import is a desirable development in view of the heavy dependence of Indonesia's industrial production on imported

capital goods and intermediate products which in turn constitute about 90 per cent of Indonesia's total import. The fact that Indonesia's total import in the first five months of 1986 has declined to only one-third of the total import in 1985 as a result of a tight money policy, is a worrying rather than a promising development.

To expect that the devaluation will renovate Indonesia's attractiveness in the eyes of foreign investors is equally unrealistic. In fact, the complaints of foreign investors about the devaluation are unmistakable in that they refer to the instability of the policy environment by saying among other things that the 1986 devaluation came at a time when foreign investors still have to adjust themselves to the 1983 devaluation. Furthermore, the once-and-for-all incentive provided by the devaluation to capital inflow is simply insufficient to compensate for the disincentives caused by the declining overall economic performance, the bleak outlook for resource investment and the worsening ambivalence, if not an anti attitude, towards foreign investment as reflected in the increasingly restrictive investment policy.

To summarise, the 1986 devaluation is unlikely to lead to an improved balance of payments position. Yet, it involves various costs of which the redistribution of income in favour of the higher income bracket and a deteriorating policy environment are among the most important. It is a wrong cure to a disease the roots of which are located outside the exchange rate policy.

The Need for Comprehensive Reform

It is not surprising that the devaluation has nurtured a growing demand of the public for an economic reform which should not be piece-meal in nature. Should the current account position by the end of this year confirm the present "devaluation pessimism," the government will find this demand for a comprehensive reform irresistible. In view of this, the areas in which a reform is needed, have to be identified. These include industrial and trade policies that presently provide a fertile soil for rent-seeking activities; the investment policy which presently leaves only a very narrow room for foreign investment; the exchange system which unnecessarily provides an unrestricted room for foreign exchange speculation; the interest rate policy which together with a restrictive investment policy prevents money from flowing to real investment; government finance with its heavy reliance on royalty on the one hand and the burden of having to take care of non-infrastructure projects; state enterprises with their huge assets, excessive secrecy and poor records of economic performance; and the bureaucracy with its claim for a decisive role in the country's economic management but unable to do justice to this claim. Unless these

areas are touched upon simultaneously, the Indonesian economy has not a good prospect to recover and the piece-meal approaches -- such as the last devaluation and the numerous reforms preceding it -- are bound to fail. It remains to be seen whether or not the government will finally have the necessary will to draw the logical consequence from the disappointing result of the partial reforms in the last six years.

Djisman S. SIMANDJUNTAK

The Nomination of the 1987 MP Candidates

The year 1987 has a special significance for the Indonesian nation. This year the fourth General Election during the New Order period, or the fifth since the Independence of Indonesia as of 1945, will be held. General Election is beginning to be institutionalised in the political life of the Indonesian nation. The continuity of the general election, held every 5 years under the New Order, shows that the development of the democratic political field proceeds in an orderly and well-directed manner.

Aside from generally assuring the continuity of the New Order Leadership and the continued existence of the life of the state and nation, the forthcoming general election will also become the first held after the Indonesian people have adopted Pancasila as the sole principle in Indonesia's social, national and state life. The three contestants (the Functional Group, the United Development Party, and the Indonesian Democracy Party) in the 1987 General Election have adopted Pancasila as their sole principle. In the past, there were among the three contestants those who adhered to their own respective specific ideologies. At present, however the general election will no longer be haunted by primordial sentiments, especially those related to religion, which in the past has left a legacy of unforgettable wounds to the Indonesian nation. On this basis it is hoped that the 1987 General Election will really be enjoyed as a sound manifestation of democracy.

However, the forth-coming general election will be coloured and affected by: firstly, the continuing process of generational transfer, at the time when the preceding and fighter generation, namely the 1945 Generation, will transfer the staff of their leadership to the succeeding generation to take over the national leadership. Secondly, it will also be affected by the less favourable national economic condition which for the greater part is caused by the world

economic environment which is beyond the capability of the Indonesian nation to cope with. Owing to this situation it has automatically become imperative for the contestants of the general election to be capable of translating and to manifest national interest in their development programme pursuant to the people's conscience, i.e. to carry out development as the practical application of Pancasila proceeding towards the stage of take-off.

Preparations for the 1987 General Election has been made either by the government as the organiser, by socio-political forces as contestants or by the people as voters; they are therefore playing a decisive role in making the general election successful. Of those three major actors of the general election, the socio-political forces are presently, at least up to 17th September 1986, busily engaged in the nomination of DPR/MPR (House of Representatives/People's Consultative Assembly) candidates, which is the internal activity of each respective socio-political force. Nevertheless, this activity is not without problems. Each socio-political force is facing challenges in accordance with the development and reality of each respective organisation. Hence, this process of nomination is worthy of note to observe its development.

The process of nomination is an important moment in Indonesia for political organisations as participants of the general election. So far the quality of members of political organisations are evaluated and selected in order to be nominated as DPR/MPR candidates. In this process collisions sometimes occur between objective and subjective considerations, namely between the organisation's interest projected towards national interest and that of the individual, which is very difficult to avoid. This is even compounded by the problem of the proportion between the number of appropriate cadres and that of the limited contested number of seats in the representatives institutions.

It is indeed true that in the General Election in Indonesia one does not elect candidates (individuals) but political parties (parties' symbols). However, by virtue of the nominated candidates people will know who is to become their representative in the House of representatives. The people are free to make their choice of the programmes offered by the three contestants represented by their respective symbols. The candidates eventually have to assume duties and responsibilities for the sake of Indonesia's national interest, not merely for the interest of their respective organisations. Accordingly there is an objective requirement to be met by candidates of all the election contestants.

One of the fundamental requirements is that candidates should be loyal to Pancasila as the Basis and Ideology of the State and to the 1945 Constitution, to the Struggle for independence of the Indonesian nation, and to carry on the Message of the People's Sufferings. Since the contestants of the general elec-

tion have adopted Pancasila as their sole principle, the requirement implies that factors pertaining to religion/belief in the One and Supreme God, origin of descendance, social grouping, customs, ethnicity and the like do not constitute obstacles to the process of nomination. In other words, aside from being loyal to Pancasila, the candidates are nominated by their respective parties not on the basis of primordial considerations, although such matters are not easy to overcome.

Other requirements of equal importance are that one shall be Citizens of the Republic of Indonesia having reached the age of 21 and devoted to God Almighty; who are not ex-members of the banned Indonesian Communist Party including its affiliated organisations or were not directly or indirectly involved in the contra-revolutionary September 30 Movement/Indonesian Communist Party, or any other illegal organisations. This requirement demands from political parties and Golkar to very carefully select and screen their respective candidates.

Based on all that, each contestant should also determine their criteria for the selection of their respective candidates. Golkar in this case, as stated by its secretary General, Sarwono, has applied the merit system. This means that the nominated candidate is evaluated in their totality comprising their personal integrity, loyalty, dedication, achievements and being blameless within the organisation or in society. Based on this criterion it is hoped that collision of interests can be avoided, or at least minimised.

As to the United Development Party, loyalty to the organisation constitutes an absolute pre-requisite for each candidate. The candidate shall abide by the constitution of the party, respect the party's leadership and every legitimate decision made by the party and shall never act in a way which may directly or indirectly undermine and marr the Constitution, the leadership and the authority of the party. In other words, the PPP candidates shall be willing to abide by the Statutes and by-laws of the party, the "khittah" (base) and policy of the party, including the candidate's devotion to God Almighty.

The Indonesian Democracy Party (PDI) does not seem to strictly set forth the qualification criteria for its candidates, like the Golkar and PPP. This is obvious from the statement made by PDI's General Chairman, Suryadi, who among other things said: "As a principle PDI will give the greatest possible freedom of action to the basis to determine those who are deemed fit to be nominated as candidates." However, it is expected that those candidates to be nominated should be imbued with the spirit of nationalism. The principle is based on the realistic consideration, namely that of PDI's strength and weaknesses, and to prevent the process of candidacy from creating rifts again which

have for years occurred within the organisation of PDI. As a party which is trying to be farsighted in its outlook and actions, namely to implement the national outlook, PDI has laid down the prerequisite for loyalty and quality as far as they relate to the party's need pursuant to the party's duty for its candidates.

There are still other provisions to be considered by political parties and the Golkar. Firstly, in accordance with statutory regulations, the number of DPR members to be elected shall be 400 people added by 100 appointed members from the Golkar faction of the Armed Forces (ABRI), so that the total number will be 500 members. The number of DPR members to be elected in each electoral region shall be fixed in proportion with the total number of citizens of the Republic of Indonesia in their respective 1st Level Electoral Regions which shall be represented at least by one representative in the DPR. Thirdly, the calculation of the number of DPR members elected in the electoral region is made up on the basis of one representative for at least every 400,000 people, with the provision that the number of DPR representatives for each 1st Level Electoral Region shall be at least equal to the number of 2nd Level Electoral Regions in the 1st Level Electoral Region concerned. The provision purports to keep a balance between the number of DPR members elected from electoral regions on the island of Java and that from outside Java, since the number of 1st Level Regions outside Java is much greater than those of Java, whereas the number of population in Java is much greater than that of the regions outside Java.

Fourthly, the number of members of the 1st Level Regional DPR for each 1st Level Region throughout Indonesia shall be at least 45 and at the most 100, including those appointed from amongst the ABRI (Armed Forces) functional group. A representative at the Regional DPR of the 1st Level Region shall be at least supported by 200,000 people of the population. However, in case in a 1st Level Region the population's representatives at 1st Level Regional DPRs do not reach the number of 45, the number of the Regional DPR of the 1st Level Region concerned will be determined to number 45 persons. On the other hand, if in a 1st Level Region the number of population divided by 200,000 comes out at more than 100 representatives, the number of the 1st Level Regional DPR shall remain 100.

Fifthly, the 2nd Level Regional DPR members shall be determined to number at least 20 and at the most 45, on the basis of the calculation that at least for every 10,000 citizens of the Republic of Indonesia at 2nd Level Regions are to be represented by 1 member.

Those provisions cited above reveal how many seats at the DPR, 1st Level Regional DPR, 2nd Level Regional DPR will be contested by the three con-

testants in the 1987 general election. On this basis it seems natural if each contestant is calculating the number of seats to be obtained in the coming general election. As to members of DPR, for example, Golkar sets its target at obtaining 61,391,896 votes, which means that it will acquire 70 per cent of the 400 DPR seats contested. The total number of voters is recorded at 90,680,000 people. This target seems proper if viewed from Golkar's preparedness in facing the forth coming general election. Meanwhile PPP sets its target at 30 per cent of the number of seats to be contested to become its share. Although not as firm as Golkar, PPP feels more ready in facing the coming general election compared with PDI. The PDI is presently busily engaged in making attempts to consolidate the organisation and in reorganising the internal programmes of the organisation. Therefore, in quantitative terms the PDI does not set any target; however, in qualitative terms the PDI hopes that the forth coming general election will be held in a direct, general, free and secret manner and will also be conducted honestly and justly, which has also become the expectation of the other contestants in particular and the Indonesian people in general.

There are some important changes this time with regard to the coming general election compared with the previous ones. In the 1982 General Election, the number of DPR members totalled 460 representatives, comprising 360 elected members added by 100 appointed members consisting of 75 members appointed from the functional group of ABRI, and 25 members from that of non-ABRI. The 1987 General Election will elect 400 out of the 500 members of DPR; whereas the remaining 100 members will be appointed from the functional group of ABRI. This increase of the number of DPR members is due to the increase of the population of the Republic of Indonesia. Presently, there are 162,914,566 registered citizens of the Republic of Indonesia; whereas in 1982, the population of Indonesia totalled around 140 million people. The increase of the number of population has automatically also increased the number of voters in the 1987 General Election, namely by 0.37 per cent.

The system of appointment in the forth-coming General Election has been altered. There will no longer be any member appointed from the functional group of non-ABRI. Only those of the functional group of ABRI will be appointed on account of the fact that ABRI members do not take part in the general election, either, as voters or as candidates to be elected. In this coming general election, ABRI serve to function as a dynamic and stabilising factor, in the sense that ABRI do not take sides with one of the contestants but still assume the responsibility to make the General Election successful. Since ABRI constitute part of the Indonesian people having equal rights and responsibilities like the other citizens in their social, national and state life, they therefore also have the right to be represented in the House of Representatives (DPR).

One of the main reasons of the abolition of the appointment of DPR members from the non-ABRI functional group is that Pancasila has been adopted as the sole principle in the social, national and state life by the socio-political forces in particular and by the Indonesian people in general. This has also resulted in, aside from the solidification of Pancasila in the Republic of Indonesia, the minimisation of attempts, if any, to replace Pancasila being the State's foundation and ideology through formally constitutional means. In addition to that, owing to the growing trust of the people in the DPR on the one hand, and the increasing political awareness of the people on the other, the existence of the House of Representatives as a state organ for the drawing of general policies in an effort to truly realise Pancasila and the 1945 Constitution in national development. In the past there were still worries about the role of the House of Representatives in safeguarding and practising Pancasila and the 1945 Constitution.

In the process of selecting the candidates from either Golkar, PPP or PDI it is determined to pay attention to the generational transfer. As to the PDI, through the generational succession the party will make efforts to intensify its cadre forming for the continued growth of the party. Hence, the party may only reserve 35-45 per cent of the members of PDI faction for renomination. Meanwhile, Golkar will allot 20 per cent to elements of the younger generation and 15 per cent to women. This means that the remaining 65 per cent of its members will still be reserved for the preceding generation. Whereas the PPP, on the basis of the assumption that generational succession does not mean rejuvenation, will allot 60 per cent to candidates under 60 years of age, whereas the remaining 40 per cent will be reserved for those over 50 years of age.

As additional information, the 500 members of the House of Representatives (DPR) being the outcome of the 1987 General Election will concurrently become members of the People's Consultative Assembly (MPR). Whereas the total number of MPR members will be 1000 people. The 500 remaining members of MPR will be obtained from: (1) representatives of socio-political forces as participants of the General Election, whose number is calculated in proportion with the number of votes obtained in the General Election; (2) representatives of the Armed Forces of the Republic of Indonesia (ABRI), whose number is fixed in proportion with the number of ABRI's functional group members in the DPR; (3) regional representatives, whose number is calculated on the basis of the number of population of each respective 1st Level Region to be represented and each 1st Level Region will be represented by at least 4 representatives and at the most by 8 representatives, and; (4) the representatives of groups, whose number is fixed at 100 people. Of this four elements of MPR membership, elements of groups' representatives seems to create certain problems.

It is worth noting that those groups' representatives are intended for non-political groups which are neither united nor being affiliated to Golkar. One may raise the question as to which groups could be accounted for the groups mentioned (there are so many non-political groups in Indonesia) and how should the mechanism of nomination of representatives of those groups proceed. The answer for this question has not as yet been made clear. However, elucidation of this Act may provide a clue in answering this question. One section of the elucidation states that "representatives of groups are those representing bodies such as co-operatives, trade unions and other collective bodies having the potentials in social and state life," and another section adds, "as stipulated by the president."

Such a process essentially emphasises the aspect of quality of the candidates concerned. This is not merely a demand but it rather constitutes an inevitable necessity. As prospective members of the House, those candidates will be faced with a variety of issues and problems owing to their function in the legislative, budgetary and supervisory fields. The supervisory function alone, for example, will be faced with so many aspects of the social, national and state life either in the economic, social, cultural, defence-security or political fields. It would be very difficult for this supervisory function to achieve its objectives if the members of the House are ignorant or lacking knowledge in legal, political economic or other social matters.

Through various official screenings and procedures it is hoped that the socio-political forces as participants of the 1987 General Election will generate candidates who are not only "good" for their organisation but also, and in particular useful and efficient for the progress of the Indonesian people in general and national development in particular. And such a process, would not be contradictory to the "vertical mobility" as it used to be.

Tommi LEGOWO

PDI: Aftermath of the Third Congress

The Third Congress of PDI (Indonesian Democracy Party) was held on 15-18 April 1986, attended, by 1,000-1,350 participants from 300 Regional PDI Executives throughout Indonesia. This Congress had been preceded by internal tensions within the party on account of the differences in views amongst

the Central PDI Executives (DPP) concerning: the question whether a National Deliberation (with limited participants and quite low cost) would be sufficient to replace the DPP elected by the Second Congress by the end of its term, or would a Congress be needed, with more participants and quite high expenses?

In the opening address to the Congress, President Soeharto among other things affirmed, "... it has become a national consensus that membership of socio-political forces is no longer based on the masses but on cadres. And this is certainly not an indication of depolitisation. This step was taken precisely to step up the quality of the socio-political forces so as to become truly the basis of a reliable national development. The socio-political forces would only be able to function as a vehicle, channeling the aspirations of the people if they have a national outlook and develop their activities to serve public interests."

Meanwhile Minister of Home Affairs, Soepardjo Rustam in his address at the opening of the Congress a.o. stated, "The main obstacle hampering the development of PDI in becoming a strong socio-political force is its internal problem, aside from the fact that PDI had not paid enough attention to efforts in the development of its political asset it already possessed, such as to live up to the national outlook and Pancasila; PDI is too late in developing a forward-looking horizon, either in its conception or in its cadre forming. The existence of three socio-political forces (PPP, Golkar, PDI) of which their existence has been legally stipulated by various rules of law, indicates that Indonesia's political system is neither directed towards a one party system which is monolithic in nature, nor is it directed towards a multi-party system which has the tendency of gearing political life towards an arena of anarchical competition."

Meanwhile the Armed Forces Commander-in-Chief/Pangkopkamtib (Commander for the Restoration of Security and Order), Army General L.B. Moerdani in his address before the PDI Congress said among other things, "In order that PDI could become a more appropriate partner to the other socio-political forces, including ABRI (the Armed Forces of the Republic of Indonesia), PDI should with its relatively small number of members balance it by promoting its conceptual quality and that of its members, and think in terms of a national scope (not compartmentalised), and avoid protracted internal conflicts."

Results of the Congress

The Third PDI Congress has yielded important results, which were as follows: (1) to renominate retired Army General Soeharto as the President of the

Republic of Indonesia for the term of office of 1988-1993 in view of the following considerations, i.e. to maintain the continuity of national development towards the realisation of an Indonesian society, which is advanced, secure, just and prosperous, based on Pancasila, for which a wise and authoritative leader is needed. Such qualifications are ascribable to the person, General Soeharto; (2) to perpetuate ABRI's dual function; (3) to consolidate PDI's stance as was decided upon at the Second PDI Congress in 1981, among other things that the spirit of the New Order should always be promoted based on Pancasila and the 1945 Constitution in an genuine and consistent manner; (4) to re-affirm that Pancasila is the sole principle of PDI; (5) to re-affirm that Pancasila constitutes the sole source to be referred to in formulating Indonesia's national policies in all fields (ideology, politics, economy, socio-culture, and defence and security); (6) to promote the conduct of an independent and active foreign policy.

In its attempt to elect a new Central PDI Executive Board, the Congress faced deadlock, owing to the inability of its committee to determine the composition of the formation of designates besides the existence of vested interest amongst its former Executive Board members. To overcome the deadlock, the Congress came to a decision "to request the willingness of the government to compose the structure, composition and personnel of the new Central PDI Executive Board." Responding upon the decision of the Congress, Home Affairs Minister, Soepardjo Rustam, acting on behalf of the government, had no objection, but was not willing to be tied up to certain requirements. In the effort to compose a new Central PDI Executive Board (DPP) the Minister of Home Affairs conducted consultations with the 27 PDI Regional Executive Boards (DPD) throughout Indonesia, with the former DPP, with those knowing about the development of PDI, and also with President Soeharto. Those consultations held by the Home Affairs Minister proceeded quite intensively for about 13 days.

Having gone through extensive consultations, on 2nd May 1986 the new PDI Central Executive Board was eventually formed and presented to PDI to be announced to the society at large. The new Central Executive Board was considered to be quite promising and to open up new expectations either for the development of PDI itself, or national political life. This is among other things due to the fact that the new Central Board will be more dynamic in the conduct of organisational life since it mostly encompasses the younger generation. Besides, its General Chairman, Mr. Suryadi has the following profile: an intellectual politician, young (47 years of age), business man who has never been involved in the party's conflicts so far, broadminded, close to both the government and Indonesian Armed Forces. His Secretary General, Nicolaus Daryanto is an intellectual, young, has never been involved in the internal par-

ty's conflicts so far, has international experience. Based on the profiles of PDI's leadership, of whom most have a means of income, it is expected that they would not be very much dependent upon their functions in the party so that they will be highly motivated in running the organisation of the party, not for their individual or group's interest, but for the advancement of the state and nation.

The Society's Reactions with Regard to the PDI Congress

With regard to the rift in the PDI Congress when attempting to set up its own Central Executive Board (DPP) and the submission of the composing of the DPP to the government, a variety of reactions emerged from the society. Those reactions came from either intellectual circles or prominents amongst the other socio-political forces (Golkar and the United Development Party PPP) which were among other things as follows: some people considered that the PDI Congress' failure in its attempt to form a new Central Executive Board revealed that PDI was not mature enough, was not self-reliant, the fusion had not been solidified yet; others viewed PDI Congress' failure and its full submission to the government with regard to the formation of the new Central Executive Board was a precedence which would have a negative impact upon the growth of Pancasila Democracy, and was even a setback which tended to disrupt the order of political life which has taken the right course so far. Hence this incidence that has befallen the PDI will lower the role of political parties in Indonesia's political system. Further the rift in the Congress of PDI revealed that there were too many sharp differences within the PDI so that it was difficult to reach a consensus, and the failure of the Congress showed that PDI had lost its identity. Some opened that the failure of PDI revealed that the previous leadership had failed in adopting Pancasila Democracy; and that the failure of the Congress was due to the interference of a third party. Another view said that the paternalistic character within the PDI was still too strong, so that it precisely stifled the democratic spirit which had been the principal foundation of PDI's struggle.

As was the case with the deadlock in the Congress of PDI in electing a new Central Executive Board, after the formation of the new Central Board there were also reactions from the society at large. However, there were also some positive comments regarding the new Central Executive Board which comprises mostly the young generation. The emergence of the young generation in the PDI indicates that the succession of generation has taken place properly, not only amongst ABRI circles but also amongst socio-political forces. Some also praise the government who has rescued PDI. Although the new Central Executive Board of PDI has been formed by the government, it does not follow that it automatically becomes a government's Central Executive Board.

The "interference" of the government was necessitated by the situation faced by PDI. It even appeared that the government has exactly served to function as a means channeling the aspirations that grew within the PDI itself and its assistance does not necessarily lead to the party feelings to be dependent upon the government. However owing to the young generation coming to the fore, fresh air will come in through the windows of PDI and will accordingly give hope to the development of politics in Indonesia.

The Prospect of PDI in the Future

Two items can be exposed with regard the prospects of PDI, namely: (1) the internal prospect within PDI itself; (2) its prospect in the national political life.

The latest development promised good prospects for PDI the failure of the Congress in forming a new Central Executive Board (DPP) and the absolute submission of the case to the government appeared to have brought about a DPP which is regenerative in nature and is expected to be more dynamic. It seems obvious that the government took a great interest in the aspirations of the regional executive boards. This means that PDI will have a base also in accountable regions. In such a condition, the generational succession, consolidation and reform within the PDI can be better and extensively carried out, and in such a situation there are many possibilities to be exploited by the new DPP provided that it would not become "vested" and would be able to actuate a distinct identity, namely as a national force which is indiscriminative in all its forms.

As to the national political life, there are at least two points to be forwarded: *firstly*, if PDI will be able to develop into a political party which is of high quality and more functional, it will bring a good prospect to Indonesia's political life since a PDI that will not be part of the Cabinet but is close to the government and having the appropriate quality to function properly, will be able to play a role in: (a) making the government more dynamic; (b) making the aspirations of the society more dynamic. On the other hand, if after the Congress with the new leadership, the PDI is still not capable of settling its internal conflicts, it is not improbable that it will become one of the vulnerable factors for the national political life since the conflict of PDI will in turn create an antagonistic external party conflict. *Secondly*, if PDI is capable to build up and consolidate its identity and to step up its quality so as to become more functional, it will become a national asset which is very important for the realisation of a fundamental framework of political life in Indonesia. *Thirdly*, a strong PDI in the future does not mean that there will be no more problems.

There may still be problems to be faced in the foreseeable future: such as the question to what extent PDI will be capable of safeguarding itself on the basis of its own condition so that it will not be tempted by the "seduction" of other forces, which should be doubted as regards the adherence to Pancasila. The emergence of the "seduction" is always possible, since PDI is a party which is open, indiscriminative but possessing a distinct identity, namely a national political force.

M. DJADIJONO

The Issue of PNG's Membership of ASEAN

Worth noting from the Annual Meeting of ASEAN's foreign ministers in Manila, on 23rd-24th June 1986 was the wish of the PNG government to become a member of ASEAN. In fact prior to this meeting the PNG government only intended to sign the Treaty of Amity and Co-operation in Southeast Asia. Even upon arriving at the Manila airport, PNG's foreign ministers, Legu Vagi consistently reiterated that, "... PNG's wish to sign the treaty should not be interpreted as though PNG wishes to become a member of ASEAN." PNG's wish to become a member of ASEAN as expressed by Vagi in his speech before an ASEAN meeting, in his capacity as a special observer has cancelled the talks on PNG's intention to sign the treaty which was due for discussion at that meeting.

Concurrently with the elaboration on the plan for the expansion of economic co-operation and ZOPFAN, PNG's mentioned wish was taken up in the Senior Official Meeting before becoming the main agenda to be discussed at the Third Summit Meeting of ASEAN in Manila in mid-1987. Apart from whatever the outcome of the Senior Officials Meeting will be, it cannot be denied that Indonesia constitutes the party most concerned with PNG's wish, and should, therefore, carefully study the advantages and dis-advantages of PNG's membership of ASEAN.

Economic Interest and Political Necessity

It has to be admitted that for nearly a decade since its independence in 1976, PNG's stance towards ASEAN has been ambiguous. Its dependence on

Australia's aid, its wish to occupy an important position amongst South Pacific countries, and its Indophobia constitute some factors motivating PNG to become more oriented towards the South Pacific rather than Southeast Asia. Hence it stands to reason that its wish to become a member country of ASEAN has never been explicitly spelt out, neither under the rule of Michael Somare nor that of Julius Chan, although the PNG has already established diplomatic relations with each member country of ASEAN except Brunei.

PNG's wish to sign the ASEAN's Treaty of Amity and Co-operation was initially expressed by Foreign Minister Legu Vagu on the occasion of his visit to Jakarta early this year. It would not be difficult to guess that this event was the result of a change in orientation of Port Moresby's foreign policy, i.e. from "universality" to a more selective engagement. The latter orientation is no longer based on cultural and historical considerations, but is seemingly coloured by a more rationally economic-political calculation.

From the economic point of view, the tendency of the diminishing Australian aid and the difficulty to mobilise domestic financial resources, constitute the driving force to establish better relationship with Southeast Asian countries. Aid extended by the Australian government in 1985 (US\$300 million), though in absolute terms was considerably greater than aid received in the previous years, its share of contribution to PNG's government budget declined from 55 per cent (1975) to 33 per cent (1985). In the foreseeable future the contribution may tend to decline even more since Australia's Parliament has decided to cut its economic aid to PNG by 5 per cent annually until the end of the 1980s. The more so if one takes into account the trend of the declining purchasing price of PNG's export commodities; it often happens that the aid received was just barely enough to cover its deficit in the trade with Australia. The imbalance of trade is due to the larger quantity of Australia's export of commodities compared with its import from PNG.

In such a condition, it is easily understood that ASEAN member states constitute one of the options in diversifying its market. Furthermore, the ASEAN member countries, except Singapore, are exporters of primary commodities such as, agricultural produce, forestry and mining products; whereas their stage of industrialisation is more inclined towards imports substitution. In accordance with the potentials it possesses, PNG will be able to gain experience from ASEAN's joint industrial projects; an advantage that she cannot gain from Australia, since this country relies more on manufacturing.

However, the economic urge appears not to be greater than the political necessity. Aside from its geographical position which links Southeast Asia with South Pacific and in turn gives rise to a geostrategical pride, its member-

ship in ASEAN will give her a feeling of security. ASEAN is the realisation of Indonesia's commitment to the policy of good neighbourly relations. If so far Indonesia has been considered as a source of threat to PNG, the fear for an attack by Indonesia against PNG, being a fellow member country of ASEAN, will greatly be reduced, if not entirely wiped out. As is the case with Singapore and Malaysia, within ASEAN, Indonesia does not or is less likely to pose a "threat," which would not be the case if she is outside ASEAN.

Being in one association with Indonesia, will arouse greater self-confidence in PNG. This perception has grown not only because of the government in Port Moresby has increasingly had more confidence in Indonesia's government, but it is also due to its own successful achievement in building a nation state. For the last five years, for example, the central government in Port Moresby has increasingly obtained legitimacy in its rule over its provinces. This is apparent from the fact that separatist movements which is based on micro-nationalism sentiments, particularly that of Napidakae Navitu in the Province of Bougainville, have become less frequent.

In the past, those movements had put Port Moresby in a difficult position to take strong measures against OPM (Organisation of Free Papua) activists entering PNG's territory. When Michael Somare's stand was ambivalent against OPM activists or even hostile against Indonesia, this was not only due to Melanesian brotherhood, but also because the government in Port Moresby needed a myth of external threat to rally solidarity and enhance nationalism for the country with about 300 different tribes.

It is in the light of this viewpoint, that its membership of ASEAN will enable PNG to gain the experience from other Southeast Asian countries having plurality of ethnic groups. Cultural co-operation and exchanges of social information on *Buddhist and Monarchical culture* (Thailand), *Ruku Negara* (Malaysia) or the spirit of *Unity in Diversity* (Indonesia) will be very useful to PNG as a nation-state.

The Balance from ASEAN's Point of View

Viewed from the ASEAN point of view being a regional organisation, it is unavoidable that elements of regionalism become the most proximate criteria to calculate the balance of advantage and disadvantage of PNG's membership. What is referred to as elements of regionalism are the geographical proximity, political commitment and economic functionalism.

The element of geographical proximity which comes to the fore in the context of PNG's membership arouses the question as to whether PNG can still be

included in the Southeast Asian region. This question is not easy to answer, since so far, either in geographical or political terms, the scope of the region of Southeast Asia has never been clearly defined.

During the Second World War, for example, the British Southeast Asia Command with its headquarters in Colombo assumed the authority over Sri Lanka, Burma, Thailand, Malaysia and Australia. Since August 1945, the scope was expanded so as to cover all former Japan's colonies, except the Philippines and Vietnam which lie north of the 16 degrees North Latitude. This historical evidence shows that expansion of the scope of a region for political ends may very likely happen. Apparently in view of that possibility at the time of the formation of ASEAN, Southeast Asia was referred to as "a region lying east of India and South of China." Furthermore, the fact that PNG lies together in one island with a part of the territory of the Republic of Indonesia (the province of Irian Jaya) has increasingly strengthen the argument that geographical constraint should not hamper PNG to become a member state of ASEAN.

The element of geographical proximity is only a small part of some decisive elements which determine the efficiency of a regional organisation. More important is the common desire, or common perception of threat, which is crystallised into a political commitment. So far the ASEAN member states have defined their political commitment and incorporated it in some documents, which among other things express: their desire to accelerate their economic growth by virtue of joint efforts (Bangkok Declaration, 1967), their interdependence to "arrange" the involvement of major powers in the region (The Kuala Lumpur Declaration, 1971), and their common determination to settle every conflict in a peaceful manner (Treaty of Amity and Co-operation in Southeast Asia and the Declaration of ASEAN Concord, 1976).

Based on PNG's foreign policy orientation as a point of departure, either if she still adheres to the principle of universalism or that of selective engagement, no contradiction would exist between that orientation and the political commitment of ASEAN member states. Even in a way, PNG has taken one step further than ASEAN; a case in point was the commitment of that country with regard to a Nuclear Free Zone which she signed in Raratonga in August 1985.

The only element of regionalism that may become a constraint is economic functionalism, since PNG constitutes a producer country of primary commodities like other ASEAN member states except Singapore. However, one has to bear in mind that economic functionalism which has been adopted as a criterion of optimal regional co-operation was because it is easier to quantify.

On the other hand, it is exactly in the framework of that economic functionalism that ASEAN faces a great number of problems. According to the Bangkok Declaration, for example, the ASEAN member state made a political commitment to "accelerate the economic growth through joint indeavours." Although during the decade of the 1970s the ASEAN member states succeeded to achieve a phenomenal economic growth rate, it is doubtful whether it was achieved through a joint endeavour. Apart from having common primary commodities in some ASEAN member countries, in reality intra-regional trade does not exceed 20 per cent of the trade of each member state. Although it was in part due to the import obligation imposed by donor countries, this reality is not in compliance with the Declaration of ASEAN Concord which stipulated that "the member states shall assist each other ... and give priority to the acquisition of exports from member states ..."

Owing to the relativity of the criterion of economic functionalism, added by the fact that ASEAN member states have established intra-regional trade only at a low level, it appears that PNG's commodities (copper, coffee, copra, and forest produce) which are in common with some member states of ASEAN is not appropriate enough to be made the reason to reject PNG's membership. The presence of PNG in ASEAN does not in fact add to the burden of the senior officials who are presently studying the issue.

The elaboration above has envisaged a slight picture of the fact that PNG will not change the format and spirit of ASEAN. The criterion that should be used as the basis in the calculation of ASEAN's point of view concerning PNG's membership is the motivation of ASEAN "to promote regional peace and stability." Hence the next question to be raised is, whether the situation and condition of PNG's economy, politics and culture might disrupt the stability and security of Southeast Asia? To a certain extent, the situation and condition that may disrupt the stability and security of Southeast Asia depends greatly upon the relationship between Indonesia and PNG.

Indonesia's Interest

As a neighbouring country, sharing even common borders of 800 kilometres long with PNG, Indonesia constitutes the most interested member state of ASEAN as far as PNG's membership is concerned. There are many reasons supporting that interest, but the most important one is that of security. From the security, aspect the main problem that has often disrupted bilateral relations between Indonesia and PNG is that of the traditional border crossers and border disputes; both are different but interdependent issues.

Border crossers who have so far crossed the borders, be they either from the territory of Indonesia into that of PNG or vice versa, may be categorised as traditional border crossers and political refugees. The traditional border crossers are mainly motivated by economic and cultural reasons, whereas other categories of border crossers are mainly motivated by political frustrations. Since 1979 many attempts have been made to resolve the problem, but in the future this problem may be protracted, especially if mutual arrangements are not made concerning socio-economic development around the border areas.

So far, owing to strategic reasons or that of natural resource potentials, there indeed exists a difference of emphasis between Indonesia and PNG. On the one hand, Indonesia focuses its attention on the northern part of Irian Jaya, around Jayapura; whereas on the other hand, PNG gives higher priority to the southern part of its territory. Hence if to date more traditional border crossers have been fleeing from PNG to Jayapura's territory, in the future the flow of border crossers will exactly be from Merauke to the province of Bougainville, especially when the Ok Tedi mining project will begin to show its result. Such border crossings may as well create problems, not only because it heightens the competition for employment opportunities, but it also opens the opportunity for OPM activists to exploit it. It is the latter that will exacerbate the border conflicts between the two countries.

In general, border conflicts may be caused by several factors, among other things, the dispute on the boundary lines, the border position, the function of the border, and the control over natural resources. However, so far the dispute over the border position and function was more conspicuous than the other ones. Just to mention some examples: some violations that occurred when the Indonesian government constructed a road along the border area (April 1983) and the unpurposely occurring incident when a TNI-AU (The Indonesian Air Force) aeroplane landed on the Green River region (March 1984), or when OPM activists crossed the borders and built its force in the PNG territory.

Basically those problems can be settled properly, but the agreement between the two countries to allow traditional border crossing and sailing across the now existing Fly River, has not as yet been able to solve the problem. As to the border crossing by OPM activists, for example, although in the agreement both countries have agreed that PNG will not protect OPM activists and that Indonesia will not pursue OPM fugitives, however a hot -- pursuit agreement would be more appropriate to tackle this problem, as was the case with that made by Indonesia and Malaysia (1984).

Aside from the issue on border crossers and border disputes, in the foreseeable future, the inclusion of PNG into ASEAN will promote the image that Indonesia is not anti-Melanesia particularly among the younger generation of Irian Jaya themselves. This is undoubtedly quite important, since be that as it may Indonesia has to recognise the existing bonds of "Melanesian brotherhood" amongst the population of Irian Jaya and that of PNG which may be politicised if the economic development in Irian Jaya should create social envy between the local people and transmigrants.

Those problems can no doubt be settled bilaterally between the government of Indonesia and that of PNG, but it does not follow that PNG's membership in ASEAN will hamper their solution. ASEAN's political commitment may serve to function as a catalyst in the settlement of disputes that may arise among the member states.

The concept of defence and security adhered to by ASEAN constitutes regional resilience and security enhanced by strengthening the respective national resilience and security. Whereas national resilience and security among developing countries are generally based on the perception of comprehensive resilience and security in which economic, social, political and cultural factors contribute to the resilience and security. In this context, the economic difficulties faced by PNG, development in Irian Jaya, border crossing and Melanesian brotherhood constitute factors which affect Indonesia and PNG, and which in turn will undoubtedly have their impact on ASEAN's national resilience and security.

J. Kusnanto ANGGORO

Mr. Gorbachev and the Asia-Pacific Region

It is perhaps not inaccurate to describe the speech delivered by Secretary General of the CPSU, Mr. Gorbachev, at Vladivostock on 28 July of this year, which has quite appropriately been often dubbed now as Mr. Gorbachev's "peace initiative" or "peace offensive," as the Soviet stand on the Asia-Pacific region. However, even if it may very well contain some elements of "propaganda," depending on how one defines the term, for after all in one sense or another all states resort to some kind of propaganda or another, it is likely to be fruitless and counterproductive to readily dismiss the whole speech

simply as another piece of Soviet propaganda gimmick. Indeed, if the Soviet military buildup in the Asia-Pacific region has created a fright, genuine or otherwise as part of a propaganda, of the "Soviet threat," while a Soviet peace offensive is received as no more than a propaganda, one will be at a loss as to what sort of behaviour is to be expected of the Soviet Union in its international relations.

What follows is a brief commentary on certain salient points in the speech as much as possible without prejudice and preconceived ideas, if at the same time trying to read between the lines but without reading too much into it. It remains to be seen to what extent Soviet deeds in the future will correspond to what sound like peaceful intentions behind Mr. Gorbachev's initiative or peace offensive in the Asia-Pacific region.

On the face of it, it seems superfluous for Mr. Gorbachev to try to convince the world that the Soviet Union is also an Asian and Pacific country; that a greater part of its territory lies east of the Urals, in Asia -- in Siberia and the Far East. This, needless to say, of course, is self-evident. As such, the Soviet Union has certain legitimate interests in the Asia-Pacific region.

Yet it is also true that in practically all major-initiatives that have been taken so far and put forward for frameworks of co-operation in the Asia-Pacific region the Soviet Union has wittingly or unwittingly been excluded from participation, whatever the reasons, implicit or explicit. One reason, which is the difference in economic system, may be justifiable, if not necessarily insurmountable. Other reasons, if never explicitly stated, may be political and ideological in nature.

In the economic field, particularly on the idea of Pacific economic co-operation, the Soviet Union, as Mr. Gorbachev himself has put it, "approached this idea without bias and we are ready to join in the deliberations on the possible foundations of such co-operation;" but understandably, "this is, of course, if it is not conceived in a forced, bloc-oriented, and anti-socialist pattern, but is rather the result of free discussion without discrimination." In any event, economic co-operation between the so-called capitalist and socialist economies on bilateral basis is not a new phenomenon. The promotion of such co-operation on a regional level would at least merit serious examination. At the same time, though, one should realise that even between the developed, capitalist economies on the one hand and the developing ones on the other, given the "openness" and the non-socialist character of the latter, co-operation on a regional basis would already present serious difficulties. But this would certainly constitute one of the problems of a Pacific economic co-operation concept.

Short of regional co-operation, it would seem natural that the Soviet Union, in the words of Gorbachev, "will try to invigorate its bilateral relations with all countries in the region without exception." Not only has the Soviet Union, being a major Asian-Pacific power, legitimate interests in the region, as noted earlier. But if the apparent overemphasis on its military presence has led to excessive concern on the part of certain countries in the region with the "Soviet threat," Soviet efforts to balance its presence in the Asia-Pacific region by increasing the non-military aspects of its relations with the countries of the region should not be unwelcome.

Moreover, the general strategic environment in the Asia-Pacific region has been less favourable for the Soviet Union than for the West or the United States in particular even in spite of the US withdrawal from Vietnam and the subsequent end of the war there a little over a decade ago. And in the light of the nature of Sino-Soviet relations for almost three decades, the Chinese-Vietnamese conflict, the continued conflict situation on the communist Indo-chinese peninsular and the uncertain stand of North Korea between Moscow and Peking, Mr. Gorbachev's assertion on the significance of "socialism" in the Asia-Pacific region seems to be an exaggeration of reality:

Socialism is an inalienable factor in the large-scale and complex changes taking place in this region. It gained firm positions in Asia as a result of the Great October Socialist Revolution and the victory over fascism and Japanese militarism, as a result of the great Chinese revolution, as a result of the consolidation of the new social system in Mongolia, in the land of Korea whose people displayed outstanding steadfastness in the struggle for the socialist future of their country, and then in Vietnam and Laos.

It seems clear that even without the qualification referred to above regarding the "fraternal" relationship among the communist countries, the rest of the region is by far more favourable to the United States or the West in general. The largest number of security arrangements involving US commitment are to be found in this region, even considering the recent expulsion of New Zealand from the ANZUS treaty. The majority of the countries therein are either allied or at least favourably disposed to the West. The latter includes the non-aligned nations. And while praising non-alignment, which, at least on the surface, is not referred to in ideological terms as a "transition" to socialism, Mr. Gorbachev could only boast of Soviet relations with India as a leader of the non-aligned world but which, strictly speaking, lies beyond the ambit of the Asia-Pacific region.

It is in that light, rather than in terms of Soviet "penetration," that perhaps one should assess Mr. Gorbachev's peace offensive to the Asia-Pacific region, in particular as regards Soviet bilateral relations with the countries of the region. Hence his devotion to considerable details of his overture to the PRC for further normalisation of relations, which is to be more realistically

founded on "good-neighbourliness" than "socialist brotherhood," of which he makes no mention at all. And it may be part of this overture to China that he refers to what he terms the "militarised triangle of Washington, Tokyo and Seoul" (rather than Peking); his offer to withdraw Soviet troops from Mongolia, a partial withdrawal from Afghanistan, and his appeal to Chinese-Vietnamese normalisation as central to the solution of the Kampuchean conflict. It may also serve to explain his desire to increase relations with the ASEAN states and his mention of bilateral relations with the island states of the South Pacific, with which the Soviet Union has established diplomatic relations and promoted economic co-operation.

Perhaps most important is Mr. Gorbachev's idea of a conference for the Asia-Pacific region "in the mold of the Helsinki conference," and for integrating the region into the "general process of establishing a comprehensive system of international security." This, of course, is not an entirely new idea. It may be just another version of the late Mr. Brezhnev idea of an Asian collective security system, or Mr. Gorbachev's own previous idea of an "All Asia Forum." And on previous other numerous occasions, the idea of a Helsinki-type of dialogue and agreement for the Asia-Pacific region has often been put forward by various Soviet officials and scholars alike.

Unlike Mr. Brezhnev's Asian collective security system, however, which, at least at its initial stage, was principally aimed at China, Mr. Gorbachev's proposal cannot be said to be conceived against either China or the United States. For good reasons, the Soviet Union desires improvement of its relations with China. Analysing Soviet relations with China is certainly beyond the scope of this commentary. Suffice it to say here that Mr. Gorbachev's appeal for further normalisation of relations with China are likely to be genuine rather than mere propaganda. And as regards the United States, his approach is fair, realistic, and note-worthy:

We recognise clearly that the United States is a great Pacific power. Furthermore, the United States, undoubtedly, has important and legitimate economic and political interests in the region.

No doubt, without the United States and its participation, it is not possible to resolve the problems of security and co-operation in the Pacific Ocean to the satisfaction of all nations in the region. ...

However, to attempt to apply to the Asia-Pacific region a European-type of solution, based on a typically European experience and European conditions seems to contradict Mr. Gorbachev's own realisation of the complexity and diversity of the Asia-Pacific:

Every country has its own social and political system with all conceivable shades, its own traditions, achievements and difficulties, its own mode of life and beliefs, convictions and

prejudices, its own understanding of spiritual and material values. Each country has something to be proud of and something to uphold in the treasure-house of human civilisation.

This impressive diversity, this colossal human and socio-political massif calls for close attention, study and respect. ... everything is in motion here, far from everything has settled [*sic*]. The new mixes with the old. ...

The Soviet Union ... is very much aware of the complex problems facing this vast region. ...

Indeed, in contrast to Europe, the Asia-Pacific region is not as neatly divided in terms of security alliances, ideological orientations, and socio-political and economic systems. And this contradiction between Mr. Gorbachev's own recognition of the diversity and complexity of the region in so many terms on the one hand and his sweeping proposals on the other may easily lead one to suspect his real motivation and intentions. For apart from the many good things in principle that are provided for by the packages of the Helsinki agreements, such a fanciful design operating in the Asia-Pacific region would above all imply some kind of a division of sphere of influence, not to say domination, between the superpowers over the region, despite protestations to the contrary that one can expect by either superpower. A function of a Helsinki-type of agreements would serve to affirm and sustain the putative "status quo" that such an agreement would inevitably entail.

It must be noted that various conflicts in the Asia-Pacific region, both real and potential, some of which have arisen partly out of disagreement over territorial demarcation such as those between the Soviet Union and China and between the Soviet Union and Japan, some others concern the status of statehood such as the Kampuchean conflict and the conflict situation in Afghanistan, are likely to militate against the realisation of such grand proposals as a Helsinki-type of dialogue and agreement and a "comprehensive system of international security." Is it then possible that precisely with a view to affirming the present frontiers, thereby sustaining a status quo, in the Asia-Pacific region, and hence freezing the territorial questions in favour of the Soviet Union that Mr. Gorbachev has put forward such proposals? One would call to mind the territorial dispute between the Soviet Union and Japan over the Kurile islands and the Soviet presence in Vietnam, particularly in Cam Ranh and Danang. In his speech Mr. Gorbachev refers to neither. As regards Afghanistan, indeed, Mr. Gorbachev indicates a gesture of goodwill. But the withdrawal of such a small part of the Soviet occupation force in the country would of course mean little, while the Soviet basic position virtually remains the same.

Indeed, with such actual and potential conflicts involving the Soviet Union being frozen, suspended, and virtually settled in its favour, if the present fron-

tiers or "status quo" could be sustained and affirmed by the realisation of a Helsinki-type of agreement, the Soviet leadership would then be able to pay greater attention to their domestic problems. That the Soviet leadership is facing domestic problems may be seen from Mr. Gorbachev's speech, almost half of which is devoted to domestic problems, particularly the development of the Soviet-Far Eastern region. And like in Europe, in the Asia-Pacific region the Soviet Union would, at least for the time being, become a "status quo" rather than a "revisionist" power as is normally understood in Western political jargon.

Mr. Gorbachev also puts forward a number of proposals related to arms control and disarmament, both conventional and nuclear. These questions are certainly of the utmost importance to mankind now, and Mr. Gorbachev's ideas, particularly with respect to the Asia-Pacific region, surely deserve examination. But as part and parcel of East-West or superpower relations at large, they may be examined mainly in this context. If anything, the two superpowers being major Pacific nations, it is clear that the question of the Asia-Pacific region is thus more directly linked to the superpower relationship. Yet to discuss this lies beyond the intended scope of this commentary.

J. Soedjati DJIWANDONO

SDI and the Security of Southeast Asia: An Indonesian Perspective

J. Soedjati DJIWANDONO

It would seem, on the face of it, quite incongruous to discuss the SDI issue in the context of Southeast Asia, and the link remote and elusive. But one is to identify such a link in order to assess any possible implications of SDI for the security of Southeast Asia.

The SDI issue is, needless to say, part and parcel of East-West relations. And it is a conventional wisdom to discuss East-West relations almost exclusively in reference to Europe. The fact is, however, that not only are the superpowers, by definition, global powers with global interests and whose relations have dominated international politics over the past four decades, but the superpowers are both major Pacific powers. It is therefore pertinent and by no means incongruous to deal with superpower relations in the context of Southeast Asia, which forms part of the Pacific region.

POLITICAL AND STRATEGIC LINKS

Since the onset of the cold war, Europe has been more or less neatly divided between the forces of NATO on the one hand and those of the Warsaw Pact on the other, not only in military terms but also along ideological, social, political and economic lines. Europe is therefore usually considered to be the most likely flash-point where a direct superpower conflict might break out. It is in Europe that both superpowers have concentrated their respective defence postures and designed their security strategies.

By contrast, Southeast Asia, and indeed the Asian-Pacific region, is never divided along any clear line. The US defence and security commitments in this

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region are not undertaken within the framework of a single alliance system like NATO. They have never been seriously and directly challenged by any comparable Soviet security arrangements. Nevertheless, these security arrangements that have committed the United States ostensibly to the defence of the nations concerned have served as an extension of US policy of containment in Europe to the Asian-Pacific region encouraged initially by the success of the Chinese revolution and the outbreak of the Korean war.

Interestingly, despite the Berlin crisis, a direct military confrontation between the superpowers has continued to be averted in Europe. The outcome has been a continued stalemate in spite of the new uncertainties created by the installation of SS-20 missiles by the Soviet Union and, in response, the Cruise and Pershing II missiles by the United States. By contrast, it is in the Asian-Pacific region that superpowers confrontation, if by proxy, particularly in the case of the Vietnam and the Korean wars, has taken place, which, however, has contained the danger of escalation into a direct superpower confrontation.

Indeed, unlike those nations in the region that have been engaged in alliance association with the United States since the birth of the PRC and the outbreak of the Korean war, other new nations had been immediately affected by superpower adversary relations even while they were struggling for national identity and for recognition of their status as sovereign and independent states. It occurred, however, beyond the strategic design of the United States. Rather, it occurred because the seeds had been sown within these new nations, notably Indonesia and Vietnam, for their future entanglement, willy-nilly, in superpower adversary relationship. These took the form of Moscow-inspired and, at least initially, Moscow-oriented communist parties, whose establishment long predated the emergence of superpower relations.

Much earlier than the United States, the Soviet Union had long seen to its own advantage the importance of what it called the colonial and semi-colonial areas in its struggle for the establishment, in effect, of its world-wide empire against Western domination. This was the forerunner or embryonic form of future superpower relations as we know them today. The seeds sown or helped to grow by Moscow in the new nations even long before they obtained independence helped to prepare the ground, wittingly or otherwise, for involvement in a future superpower contest by advocating alignment with the Soviet Union in their struggle for national independence.

However, not always succeeding in making the newly independent nations its allies, some of which had earlier opted out of any entanglement with superpower antagonism by treading along their own independent or non-aligned course, the Soviet Union was not prepared strategically nor ideologically to deal with the new phenomenon in the postwar period, i.e. the emergence of the

new nations. Its dogmatic mind could only see them as stooges of imperialism. And Soviet hostility towards such nations in their early days of independence had the practical effect of driving them, at least in their domestic pattern of development, towards democratic life and institutionalisation as well as in their foreign policy orientation, to the West, the United States in particular. Indonesia in the early 1950's was a case in point.

After the death of Stalin, the Soviet Union began to see the importance of the new nations in a new light in its competition with the West, particularly the United States. Catching up especially with the momentum of the Bandung Conference, the Soviet Union began to court the new nations, identifying itself with their anti-imperialist stance in international politics. If the new Soviet policy was demonstrated by the much publicised and widely acclaimed tour of Khrushchev and Bulganin in 1955 to some Asian capitals and the onset of Soviet aid programmes, it was then given its ideological justification through the enunciation of Khrushchev's idea of a "Zone of Peace" at the 20th Congress of the CPSU in 1956, to be further developed later on into the doctrine of "national democracy" at the end of 1960. This has generally governed Soviet policy towards the so-called Third World countries to the present day with such modifications as may be necessitated by prevailing local conditions and Soviet foreign policy interests at any given time.

Not unlike the Soviet Union, the United States seemed even slower and no less inconsistent in responding to both the Soviet moves and the emergence of the new nations in spite of its greater capabilities and otherwise dominant influence in the region. This was the rather notorious period of John Foster Dulles, who managed only to alienate many of the new nations by calling their neutrality immoral. Failing to provide them with constructive leadership and to appreciate their nationalism, the United States played right into the hands of the Soviet Union, presenting it with a propaganda opening that it had been quick to exploit.

It took another administration for the United States to work a transformation in the US attitude toward the new nations, a reversal of the previous policy of the Dulles period. The new administration under President Kennedy seemed to display a better understanding and appreciation of the interests and aspirations of the new nations on their own merits as distinct from their relative import from the point of view of superpower interests.

In spite of an important difference in Soviet and US views on the nature or the kind of independent policy pursued by many of the new nations, there is also a principal similarity. Both the difference and the similarity have implications for the new nations that in the final analysis are likely to prejudice their interests.

On the one hand, despite the special importance the Soviet Union attaches to the independent position of many of the new nations, such an independent position is never considered to be a permanent phenomenon. It is never recognised as something in its own right, separate from what in the Soviet view is a larger historical development of the world. It is thought, rather, to form part of a historical process in Marxist-Leninist terms toward socialism and ultimately communism. As such it is only a temporary phase of transition in keeping with local conditions. Hence the theory of a "Zone of Peace" and "national democracy" to explain that process and to justify Soviet actions to help ensure and, if necessary, speed up the "correct" process of development toward socialism and communism.

Here lies the "historical mission" of the Soviet Union, and Soviet aid programmes to Third World countries which are to be understood in that Marxist-Leninist light. And because ultimately they will form part of the Soviet empire, from the very beginning the new nations are to be part of the worldwide Soviet front against colonialism and imperialism, that is to say, the United States. Whatever its rhetorics, therefore, the Soviet analysis and understanding of non-alignment essentially and ultimately makes nonsense of it all. At the same time, despite an apparent better understanding and appreciation for the independent position of the new nations, their aspirations, interests and priorities, the US view has a basic similarity to the Soviet view in that ultimately the new nations are expected to find a common interest with the United States in resisting communist expansion.

It means that beyond those nations already in alliance association with either of the superpowers, the rest of the world, particularly the new nations, have become a battleground for superpower competition over influence, allegiance, friends, allies, client states, or military bases. It has resulted in external interference by the superpowers in local and regional conflicts and in wars by proxy with the risk of escalation into a direct conflict between the superpowers themselves.

It seems clear that the achievement of a stable central balance or a nuclear stalemate in Europe and fear of a nuclear confrontation on the part of the superpowers, have not prevented local and regional conflicts elsewhere that have invited intervention by the superpowers, direct or indirect, because of their continued competition. Indeed, one would wonder, although local and regional conflicts have their indigenous roots, if the nuclear stalemate and the superpowers' fear of a nuclear confrontation have not precisely helped further encourage such conflicts. On account of the stalemate in Europe, reinforced for some time by detente and confirmed by the Helsinki agreements in 1975, which have served to establish the status quo, superpower competition has had

to gain momentum elsewhere, including the Asia-Pacific region and Southeast Asia. And in that sense, the rest of the world seems to have had to bear the brunt of superpower stalemate, detente, and status quo in Europe.

The strategic link or even interdependence between Europe and the Asian-Pacific region has now been strengthened and increased by the continuous advancement in the technology of nuclear weapons and their delivery systems. This has considerably minimised or even eliminated geographical distances between different theatres of war in the event of a nuclear conflict. And the possibility of a "nuclear winter" would affect all the nations of the world, nuclear or non-nuclear, and whatever their security policies.

As far as the Asian-Pacific region, including Southeast Asia is concerned, the growing Soviet military, especially naval capabilities in the Pacific, the increasing Soviet military presence in Vietnam and US reaction, are likely to increase the possibility of a direct confrontation between the superpowers in the region. This is the more so if one considers the number of military bases in the area that may serve as possible targets of attacks.

PERCEPTION OF REGIONAL SECURITY

It is clear that because of the increasing link or interdependence between the central balance in Europe and the Asian-Pacific region in both political and strategic terms, or in other words because of the global nature of superpower relations, their strategic interests and capabilities, the security of Southeast Asia cannot be examined in isolation. Indeed, in the event of a nuclear conflict, however unlikely that scenario may be, the question of regional security is not even worthy of examination because of the global nature of the possible devastation. From such a catastrophe no region in the world can hope to escape.

It is therefore to be noted in passing the idea of Southeast Asia as a nuclear-free zone, would be of no strategic significance under such a scenario and is consequently not worth worrying about by either superpower. In the absence of a real direct nuclear confrontation, however, such an idea may have a certain diplomatic and political, if not a declaratory value. And for the countries of the region this may serve some purpose. Whether or not the superpowers need to be upset about it, particularly on the part of the United States, which has expressed concern, would depend on a number of factors such as whether or not it is likely to contribute to the stability of the central balance thereby contributing to international as well as regional security, and whether or not it can actually be put into effect in the light of the region's capabilities

needed for its realisation. But to examine these questions in detail is certainly beyond the scope of this paper.

The question of regional security of Southeast Asia is of relevance only in the absence of such a global conflagration, that is, under the present strategic balance. On the basis of the foregoing analysis it is clear that especially in relations to the superpowers, the primary threat to the security of the countries in the region and thus to regional security is likely to come from superpower interference in domestic and regional affairs of Southeast Asia.

Such external interference may take a variety of forms ranging from direct military intervention that may lead to superpower confrontation by proxy such as in the case of the Vietnam war in the past (and the Korean war in Northeast Asia), and the present Kampuchean conflict (particularly as related to the Sino-Soviet dispute) to infiltration such as in the case of the US part in the regional rebellion in Indonesia in the late 1950's. A superpower may also constitute a source of external threat in the form of external interference in the sense that it may serve as an external source of aid and assistance for subversive and insurgent elements in the region.

From historical experience it is clear, however, that while great power or superpower involvement in the domestic and regional affairs of Southeast Asia had been motivated primarily by their competitive global and strategic interests as discussed above, such external interference has also been invited or at least the opportunity for it has been provided by domestic and regional instability or conflicts. Thus the sources of threat to the national security of the countries of Southeast Asia and to the regional security are a mixture of internal, intra-regional, and external nature.

It was in part motivated by such a security consideration and based on such a perception of threat to the national security of the member states and to the regional security of Southeast Asia that ASEAN was established almost two decades ago. Through regional co-operation the ASEAN member states strive to create a peaceful and prosperous community, and to contain domestic and regional or intra-regional conflicts. In so doing they will promote national and regional resilience, thereby avoiding the threat of external interference. The proposal for ZOPFAN, making Southeast Asia a zone of peace, freedom and neutrality, of which the idea of the region as a nuclear-free zone as well forms part, would constitute a full realisation of the ideals of ASEAN regionalism. Through ZOPFAN the ASEAN states would attempt, in effect, to keep the great powers, particularly the superpowers, at arm's length.

It is also on the basis of such ideals of ASEAN regionalism that the ASEAN states view the Kampuchean conflict. The conflict is contrary to the ZOPFAN principle and thus to the ideals of ASEAN regionalism. That is to say, it was a case of the resort to the use of force for the settlement of an intra-regional conflict and it has invited external interference particularly the Soviet Union and the PRC. This explains the determination on the part of ASEAN to seek a political solution to the Kampuchean problem.

THE IMPACT OF SDI ON EAST-WEST RELATIONS

Any possible implications of SDI for the security of Southeast Asia will depend on the way and the extent of its impact on East-West relations. This in turn will depend on the reaction of the Soviet Union, which will be determined by the way in which it perceives the motivation and the basic ideas behind SDI as well as the prospects for its successful realisation.

One consideration for the introduction of SDI is the suspicion on the part of the United States that the Soviet Union has not only upset the stability of the strategic balance on account of its massive military buildup to a level superior to that of the United States but also developed a strategic defence capability beyond the limitations of the ABM Treaty. In his "Star Wars" speech on 23rd March 1983 President Reagan said that "For 20 years, the Soviet Union has been accumulating enormous military might. They didn't stop when their forces exceeded all requirements of a legitimate defensive capability. And they haven't stopped now."¹

In point of fact, it is practically impossible to determine whether or not and when a stable strategic balance, implying parity between the superpowers has been reached. No agreement has so far been reached on the precise meaning of balance or parity, be it quantitative or qualitative, on account of differences in the types of armaments, structure and composition, capacity, ect., between the superpowers. It is therefore very hard to tell if and when one or the other superpower has achieved supremacy or superiority and thereby has disturbed the balance.

Perhaps, indeed, such an agreement will never be arrived at, and even if this was possible there would still be the tricky problem of verification. But most important of all is the question of mutual trust. Be that as it may, the signing of such agreements as SALT I and SALT II may be construed to mean that the two superpowers have implicitly agreed on some form of parity and

¹A text of President Reagan's "Star Wars" speech is appended to Alun Chalfont, *Star Wars: Suicide or Survival?* (London: Weidenfeld and Nicolson, 1985).

thus a strategic balance. And more than a technical question, the question of parity and balance is thus basically a political one.²

Furthermore, even given the possibility that one or either of the superpowers has at one point reached a superiority, either in the quantitative or qualitative sense, so that it has somehow tipped the balance in its favour, such superiority would be of little, if any, military significance. For given the acceptance of the principle of MAD, such superiority would not in any meaningful way affect the overall capability of either superpower to retaliate and inflict an unacceptable damage in the event of first strike. And with the present enormous amount of nuclear arsenals on both the United States and the Soviet Union, the level of MAD has in fact been reached many times over.³ Indeed, some people reject the idea that the Soviet Union adheres to the principle of MAD.⁴ But just as the Soviet Union has implicitly agreed on the existence of a parity and balance as argued above, it has also implicitly accepted the principle of MAD by signing the same agreements. It is also in the context of MAD that such theories as the so-called "window of vulnerability" simply do not make much sense.

However, it is precisely that principle of MAD that is (or at least was) being abandoned with the introduction of SDI by President Reagan, who has reportedly been against the idea of MAD for some time.⁵ In his historic "Star Wars" speech of 23rd March 1983 he said, among other things, that:

... In recent months, ... my advisors, including in particular the Joint Chiefs of Staff, have underscored the necessity to break out of a future that relies solely upon offensive retaliation for our security.

... I have become more and more deeply convinced that the human spirit must be capable of rising above dealing with other nations and human beings by threatening their existence. ...

If the Soviet Union will join us in our efforts to achieve major arms reduction we will have succeeded in stabilizing the nuclear balance. Nevertheless it will still be necessary to rely on the specter of retaliation -- on mutual threat, and that is a sad commentary on the human condition.

Would it not be better to save lives than to avenge them? ... What if free people could live secure in the knowledge that their security did not rest on the threat of instant US retaliation to deter a Soviet attack; that we could intercept and destroy strategy ballistic missiles before they reached our own soil or that of our allies? ...

²For a discussion on this question see David Holloway, *The Soviet Union and the Arms Race*, 2nd ed. (New Haven and London: Yale University Press, 1984), pp. 49, 78-80.

³Seweryn Bialer, *The Psychology of US-Soviet Relations*, Gabriel Silver Memorial Lecture, School of International and Public Affairs, Columbia University, (April 14, 1983), p. 13.

⁴See, for instance, some of the writings of Dr. Colin Gray.

⁵E.P. Thompson, "Why Star Wars,?" in *Star Wars*, ed. *Idem* (New York: Pantheon Books, 1985), p. 25.

... I call upon the scientific community who gave us nuclear weapons to turn their great talents to the cause of mankind and world peace; to give us the means of rendering these nuclear weapons impotent and obsolete.

For some time before, of course, opposition to MAD had become more and more widespread on moral and other grounds. By introducing SDI, thereby abandoning MAD, partly also on moral grounds and thus in the process of substituting an entirely different strategy for nuclear deterrence, President Reagan appears to have pulled the rug from under the feet of opponents of MAD such as the various forms of peace movement and the American Catholic bishops.⁶

It is interesting, nevertheless, that in the face of opposition to SDI on the part of MAD opponents, President Reagan and spokesmen of the American Administration have turned ambivalent. Thus in his foreword to a White House publication on SDI,⁷ President Reagan still argues against nuclear deterrence:

Originally, we relied on balanced defensive and offensive forces to deter. But over the last twenty years, the United States has nearly abandoned efforts to develop and deploy defences against nuclear weapons, relying instead almost exclusively on the threat of nuclear retaliation. We accepted the notion that if we and the Soviet Union were able to retaliate with devastating power even after absorbing a first strike, that stable deterrence would endure. That rather novel concept seemed at the time to be sensible for two reasons. First, the Soviet stated that they believed that both sides should have roughly equal forces and neither side should seek to alter the balance to gain unilateral advantage. Second, there did not seem to be any alternative. The state of the art in defensive systems did not permit an effective defensive system.

Today both of these basic assumptions are being called into question. The pace of the Soviet offensive and defensive buildup has upset the balance in the areas of greatest importance during crises. Furthermore, new technologies are now at hand which may make possible a truly effective non-nuclear defense.

For these reasons and because of the awesome destructive potential of nuclear weapons, we must seek another means of deterring war. It is both militarily and morally necessary. Certainly, there should be a better way to strengthen peace and stability, a way to move away from a future that relies so heavily on the prospect of rapid and massive nuclear retaliation and toward greater reliance on defensive systems which threaten no one.

Yet right in the first page of the publication following the Presidential foreword it is stated that the purpose of SDI is to "identify ways to exploit recent advances in ballistic missile defense technologies that have potential *for strengthening deterrence*-- and thereby increasing our security and that of our allies."⁸ Likewise, while critical of MAD, calling it a "suicide pact," among

⁶*Ibid.*, p. 26.

⁷*The President's Strategic Defense Initiative*, January 1985.

⁸Emphasis added.

other things because the Soviet Union never subscribes to it,⁹ a British enthusiast of SDI, Lord Chalfont, maintains that the aim of strategic defense is to "demonstrate a capacity to destroy so many attacking missiles that the Soviet Union would not know how many targets, or which targets, would be destroyed. This would make a first strike an even more problematical option than it is today, *thus increasing the credibility of deterrent*."¹⁰

Another staunch supporter, while calling MAD a "moral dilemma" and a "cruel policy," still proudly explains the SDI in the following manner:

Suppose our defense is 80 per cent effective ... That means we can shoot down 4 out of 5 of Soviet warheads in a mass attack. With such a defense in place the Soviets will know that if they attack us, we will be able to strike back with our nuclear weapons and reduce all the major Soviet cities to rubble in thirty minutes.¹¹

He maintains further that a "conservative estimate of the effectiveness of this defense (SDI) is 90 per cent, which means that only one Soviet warhead in ten will reach its target. This is more than sufficient to guarantee devastating US retaliation and discourage Soviet leaders from any thought of achieving a successful strike."¹² Then he goes into details, explaining the system of layered defense as follows:

The idea behind having several layers is that the whole defense can be made nearly perfect in this way, even if the individual layers are less than perfect. Suppose, for example, that the defense has four layers and each layer by itself has an effectiveness of 80 per cent. That is, four out of five missiles or warheads entering a layer, get shot down before they leave it, and one in five get through. Then the combined effectiveness of the four layers is 99.8 per cent. That means that only two Soviet warheads out of every 1000 reach their target.¹³

Thus criticism of MAD on moral grounds have ironically been launched by resorting to circular arguments. The alternative offered will still be based on the threat of devastating nuclear retaliation. It is therefore clear that the aim of SDI to strengthen deterrence seeks to protect retaliatory or second-strike capability. This means simply the maintenance of MAD, and the value of SDI will be no more than another weapon, which is likely to encourage further arms race.

Moreover, if one really cares about the moral aspect of nuclear weapons, one should look at these weapons from the point of view of their effects on the

⁹Chalfont, *Star Wars*, pp. 60-65.

¹⁰*Ibid.*, p. 84.

¹¹Robert Jastrow, *How To Make Nuclear Weapons Obsolete* (London: Sidgwick & Jackson, 1985), p. 15.

¹²*Ibid.*, p. 100.

¹³*Ibid.*, p. 113-114.

lives of human beings instead of talking in numerical figures. To assert that the 99.8 per cent effectiveness of strategic defense would mean that "only" two out of every thousand Soviet warheads would reach their target is to ignore the effects of their explosion with the power of hundreds of kiloton of TNT, not to mention the possible explosion of the targets themselves, which are most likely US ICBMs, on human beings. How then can one conceive of SDI as a defense system that would threaten no one?

Indeed, if the aim is to save human lives, in view of the destructive power of nuclear weapons, only a perfect defence against nuclear weapons would be of any meaning. To be sure, to expect SDI to be perfect has been regarded as sheer "misunderstanding."¹⁴ And it is true that the concept of a layered defence may be regarded as an indication that it is not to be a perfect defence system. But then it seems difficult for one to understand the meaning of a "truly effective" defence, and a system to make nuclear weapons "impotent and obsolete," if it does not even apply to SLBM, ALBM, and cruise missiles.

In the Presidential foreword cited before, President Reagan also said that "SDI will be a crucial means by which both the United States and the Soviet Union can safely agree to very deep reductions, and eventually, even the elimination of ballistic missiles and the nuclear weapons they carry." But unless SDI is to be a perfect defence system such an expectation does not seem realistic. Otherwise the Soviet Union is not likely to let the United States endanger the effectiveness of its strategic weapons. It is therefore to be expected that in the face of this threat the Soviet Union will make efforts to strengthen the effectiveness of its strategic weapons. In this sense the value of SDI in saving human lives is again called into question.

In the light of the foregoing discussion, it does not seem difficult to imagine how the Soviet Union will react to SDI, whose aim seems to remain vague and ambiguous. If the emphasis of Soviet strategy is placed on defence accompanied by the development and improvement of its offensive capability is always interpreted by the United States as evidence of its intention to launch a first strike and to cripple US capability of retaliation, the Soviet Union can be expected to react to SDI in a similar vein. Thus just a few days after President Reagan's "Star Wars" speech, the late Yuri Andropov gave his reply:

On the face of it, laymen may find it even attractive as the President speaks about what seem to be defensive measures. But this may seem to be so only on the face of it and only to those who are not conversant with these matters. In fact the strategic offensive forces of the United States will continue to be developed and upgraded at full tilt and along quite a definite line at that, namely that of acquiring a first nuclear strike capability. Under these conditions

¹⁴Chalfont, *Star Wars*, p. 84.

the intention to secure itself the possibility of destroying with the help of the ABM defenses the corresponding strategic systems of the other side, that is of rendering it unable of dealing a retaliatory strike, is a bid to disarm the Soviet Union in the face of the US nuclear threat.¹⁵

In the face of what it perceives as a new and increased threat, it is to be expected that the Soviet Union will be encouraged to strengthen further both its offensive and defensive capabilities. Furthermore, the deployment and operation of a defence system against strategic weapons would require hundreds or even thousands of satellites, especially in view of possible Soviet countermeasures, and for purposes of detection, communication, the launching of attacks, etc. in an overall battle management. But to destroy all these may be easier and cheaper than their deployment. And if SDI is to be a long-term programme at an enormous cost, then not only would it be really menacing in the eyes of the Soviet Union, but it would also give the Soviet Union ample time to develop its countermeasures. The possibility of Soviet countermeasures have indeed been considered. So have possible US efforts to overcome them.¹⁶ But this would all amount to another dimension of the arms race. And thus another objective of SDI as a bargaining chip in negotiations with the Soviet Union toward arms control and disarmament will have less chance of being achieved.

In the history of relations between the United States and the Soviet Union since the end of World War II, the Soviet Union has always been determined to catch up with the United States. When the United States developed the hydrogen bomb to counter the Soviet success in exploding its first atomic bomb, the Soviet Union was soon to follow suit. So was the case with MIRVs.

Therefore, a less than perfect SDI programme is likely to have a negative impact on arms negotiations between the two superpowers, particularly if the United States should continue to insist that it is not negotiable. It may even jeopardise existing agreements. Accusations of Soviet violations of existing agreements. Accusations of Soviet violations of existing treaties and agreements may also apply to the United States, although there may be exaggerations on both sides. I have no pretension that I am in a position to make accurate judgement on this matter. But to accuse the Soviet Union of violating SALT II agreement, for example, does not seem to make good sense while the United States albeit protestations of acherence, has failed to ratify it.

¹⁵Quoted in McGeorge Bundy *et al.*, "The President's Choice: Star Wars or Arms Control," *Foreign Affairs* (Winter 1984/85) pp. 270-271.

¹⁶Discussion on these matters are to be found in Jasrirow, *How To Make*, pp. 161-169; Ben Thompson, "What is Star Wars? in *Star Wars*, pp. 39-42; and Harold Brown, "The Strategic Defense Initiative: Defensive Systems and Strategic Debate," *Survival* (March-April, 1985): pp. 55-64.

THE SECURITY OF SOUTHEAST ASIA

If the ultimate aim of SDI to make nuclear weapons impotent and obsolete seems too remote to achieve because its perfection is in doubt, the purpose of reduction and eventually elimination of ballistic missiles and nuclear weapons they carry may be achieved irrespective of SDI. But with or without SDI, perfect or otherwise, the reduction and elimination of nuclear weapons would only be possible if the Soviet Union should agree to do likewise. That is the heart of the matter.

However, in view of the relations between the two superpowers over the past four decades, which have been marked by mutual suspicion, prejudice, and distrust which are deeply rooted in fundamental differences of interest and perception, the prospect for such a far-reaching agreement does not look very bright.

Moreover, both superpowers seem to have become prisoners of their respective ideologies and perceptions of each other that have begotten such deeprooted vested interests in their own societies and have served as foundations for their defence postures and establishments as well as their wide-ranging ramifications. Even if one should ever question the basic assumptions underlying all these vested interests and long-established institutions, it would seem simply unrealistic to expect the superpowers to dismantle their nuclear arsenals even in the name of peace. They would refuse to do it also in the name of peace. This means that the whole world will simply have to live with nuclear weapons for a very long time to come. We are back to square one.

That would imply that one superpower would continue to distrust the other; one would continue to suspect that the other constantly attempts to achieve strategic superiority, thereby disturbing the balance, which one will try to restore accordingly, come what may; that through the development of strategic defence capabilities thereby reducing its vulnerability to attacks and thus the credibility of one's deterrence and second-strike capability, the other is preparing eventually to launch a disarming first strike, and so on and so forth. The outcome would be continuing if not increasing tension and endless and uncontrollable arms race between the two superpowers. Indeed, the superpowers may both continue to fear a nuclear confrontation and for the reason perhaps neither would rationally consider to initiate one. But the danger of a nuclear war by accident, misjudgement or miscalculation and an attendant panic, etc. would increase under such circumstances.

One still has to see whether or not SDI will still make it possible for the two superpowers to continue the arms talks. Even if no concrete agreements are

reached in the near future, continued talks may result in some better understanding between them regarding each other's perceptions and intentions. This would reduce tension a little and may help create a more favourable atmosphere for future rounds of talks even if in the meantime the situation in superpower relations should basically remain the same as before.

Given the continuation of talks, one has also to wait and see whether or not SDI will hinder the conclusion of an agreement. Some agreement on arms control and/or disarmament in the form of arms reduction may have no immediate strategic significance. Assuming, as mentioned earlier, that the level of nuclear capabilities on the part of both superpowers that would enable either side to destroy the other, and indeed the whole world, has been reached many times over, any increase or reduction in their armaments may have little, if any, strategic significance. It would depend, to some extent, on the kind of arms control and the depth of the reduction agreed upon.

At any rate, however, an agreement between the superpowers would have some military significance in that it would control weapon development in one direction or another and in that way curb the arms race. More importantly, such an agreement is likely to have favourable political and psychological effects. For it would imply some common understanding of strategic parity, a stable strategic balance, and thus mutual vulnerability and security.

In that sense, superpower relations would in effect return to some form of detente. This would create a favourable climate for further negotiations in the future with a view to the conclusion of a long and continuous series of agreements on arms control and disarmament. One agreement needs to be followed by another because a limited brake on weapon development in one direction may provide an opportunity for a development in another that would repeat the process of arms race. Of no less significance is the prospect that a series of talks and agreements, however limited, would mean not only that the superpowers continue indefinitely to be on speaking terms with each other but also that such a development would imply a continuous avoidance of war. If far from the ideal, this would certainly be a lesser evil than a nuclear holocaust.

Such a development would also continue to help reduce misunderstanding, misjudgement and miscalculation, thereby reducing the possibility of a nuclear war by accident. Moreover, mutual understanding needs constant renewal. It is not something to be taken for granted. And one must recognise that the cleavage between the superpowers has run so deep and wide along ideological, political, social, and economic lines that complete rapprochement, mutual trust and confidence seem to be out of the question. And their systems and

values are so diametrically opposed that detente and peaceful co-existence completely without any degree of competition seems inconceivable.

One would hope, nevertheless, that however much the superpowers loath each other because of their fundamental differences, they would be prepared to accept the other as facts of international life. And because each cannot conceivably destroy the other without at the same time destroying itself and the world, they would continue to co-exist with each other. Better still, albeit in a limited way, if they are able and willing to co-operate in areas where they find a convergence and mutuality of interests and continue to find and expand such areas.

That is an aspect of the kind of superpower relationship that would have a positive impact on the security of Southeast Asia as well as other regions of the world. However, short of nuclear war, the nature and degree of superpower adversary relationship will continue to determine the extent to which Southeast Asia, and indeed the Asian Pacific region, is exposed to superpower rivalry. This means that the area will continue to be exposed to the threat of external interference in various forms and manifestations. The fact that the region will continue to be more diverse and complex than Europe in geographic, historical and cultural terms, not to mention the existence of conflicts or sources of potential conflicts, would only enhance the opportunity for such interference.

Accordingly, the kind of detente between the superpowers that is likely to have a more positive impact on the security of the region would be one that takes into account the security interests of the various regions. It would be one in which the superpowers should manage their competitive relationship in such a way as to accommodate national and regional interests, priorities, and aspirations. And that they would manage their relations and competition in such a way as not to pose a threat to the stability of the region, in which they profess a great interest, for regional instability may eventually have an adverse effect on the central balance as well. Indeed, they may have a proper role to play in regional affairs, but such a role should be complementary to, and not a substitute for, national and regional one. For no region or nation in any region would like the idea of having decisions made by the superpowers that would affect its destiny.

The possibility that Southeast Asia or the Asian Pacific region is likely to continue to be an arena of superpower competition does not suggest that the region is a mere object in international politics, even as it is related to superpower relations. Internal and regional conflicts and instability that maybe exploited by the superpowers or may provide room for their interference are more likely to have their indigenous roots than to be externally instigated.

Therefore, the primary responsibility for the security of a region lies in the hands of the nations of the region concerned. It is such an awareness that has motivated the member nations of ASEAN to promote regional co-operation in the face of an external challenge in the form of external interference to the national and regional security. It will be in the best interest of the superpowers as well to help realise the ideals of regional co-operation.

United States Policies and Regional Power Balances

A. Hasnan HABIB

INTRODUCTION

It is important to realise that the US is a global power, and as such she is involved in global rather than regional policy and strategy. Her regional policies are designed to guarantee her global interests rather than promote the interest of the region per se. If necessary, she is prepared to take action, including military intervention, to protect her strategic interests. And it is for this purpose, that the US has set up an interlocking system of alliances.

Because of her obsession with the main objective of her global policy since the Cold War, the US has tended to misunderstand the aspirations of other countries, particularly that of the Third World. Nationalist uprisings and struggles for independence against major Western colonial powers, which are American allies, had often been perceived as anti-west and pro-communist revolutionary movements. The era of naive and simplistic view that the world was either blue or red, that neutralism or non-alignment was immoral, that those who are not for the US are against her, is still fresh in our memory. The Cold War grid was imposed on virtually any aspirations of Third World countries that were not against the Soviet Union or communism.

US MAJOR INTERESTS

Like other nations, the US is committed to serve her national interests. But unlike other nations, the US also aspires to protect the security of what she regards as free nations and the values of Western civilisation.

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Of all her national interests, most important to her are her strategic interests. As reported in the press, in answer to a question about whether democracy in the Philippines was more important than the US military bases there during the latest crisis in this country, President Reagan said: "One cannot minimise the importance of those bases, not only to us, but to the western world and to the Philippines themselves. I don't know of anything more important than the Philippines bases."

Central to her strategic interests is the maintenance of the strategic balance with the Soviet Union. To maintain the stability of the strategic balance, the US has created regional alliances; and the management of intra-alliance and inter-alliance relations in such a way as to establish an interlocking global defence system against the Soviet Union which has become vitally important. Hence the US' strong reaction to New Zealand for breaking the alliance ranks by "deviating" from the letter and spirit of the ANZUS treaty. Moreover, an effective and cohesive worldwide alliance system helps to project her image as a superpower and demonstrates her global reach, which are the requirements for global power politics.

The emergence of scores of newly sovereign nations after World War II, which make up the Third World today, has complicated the pursuit of a strategic balance of power policy and related interests. A new dimension has been added to superpower rivalry: competition for power, influence and sympathy in the Third World. However, it would seem that the superpowers have relegated this dimension to a lower level of interests relative to both the maintenance of the strategic balance and the management of a cohesive and effective global alliance system. So long as the strategic balance remains basically stable, the Third World is important, only in that it is the arena of competition for power and influence for the superpowers to maintain their image as global powers, whereas its influence on the latter's strategic balance, if any, is only marginal or peripheral. Hence the inequality of the Superpower -- Third World relationship for more than three decades, with the former either paying perfunctory attention to the latter's concerns and interests, or setting a pattern of "patron-client" relationship facilitated by the need of many third-world regimes to acquire superpower patronage.

However, President Reagan's "strategic defence initiative" seems likely to disturb the relatively stable strategic balance because of the possible technological breakthrough that this entails. The noises coming from the Soviet Union and her subsequent return to the negotiation table in Geneva after leaving it a few months earlier as a protest against SDI, seem to confirm this possibility. If this is true, then it might provide the Third World countries with the opportunity to demand from the superpowers more equal treatment and more pro-

per attention to their legitimate concerns, problems and interests. Central to these concerns are problems of security and prosperity, which are the functions of national and economic development, in which the majority of third world countries have engaged themselves since they attained independence. Arbitrary interventions in their domestic affairs, unilateral actions without regard to regional sensitivities and concerns, imposition of the allegedly superior Western value system ignoring national and cultural differences, dogged support for international "pariah regimes," excessive use of the veto right in the Security Council, are an affront to the majority of Third World countries.

The US has always tended to view her relations with third world countries from the perspectives of her relations with the Soviet Union. Thus she has often failed to heed the appeals or to consider the interests and concerns of the smaller countries and groupings, such as the Non-Aligned Movement, the Group of 77, the World Islamic Conference, the Arab League, the Contadora Group, etc. which certainly have a role to play in present world politics. In the light of the increasing strength, solidarity and power of these developing nations in international fora, winning friends in the Third World will be of long-term advantage. The US has become gradually aware of this as evidenced by President Reagan's statement in his address to the American Legion, in Washington, DC on February 22, 1983: "I'm convinced that the time has come for this country and others to address the problems of the developing nations in a more forthright and less patronising way"; and in Secretary Shultz' speech to the Foreign Policy Association, New York, on May 26, 1983: "For all our preoccupations with the problems of the Atlantik Alliance, US Soviet relationship, or the Middle East, much of the world's future is being shaped by what happens in those hundred-odd nations embracing the broad majority of humanity." The big problem is that so often deeds do not match words, and good intentions are marred by inappropriate actions.

US ZIG-ZAGGING POLICY IN THE PACIFIC AND ITS EFFECT

It is interesting to survey US policy in the Pacific since the end of World War II. Emerging out of the war as a victor, and the only power that was unscathed -- almost all other countries involved in the war were devastated, including the USSR -- and with the monopoly of the atomic bomb, she was for a while at the pinnacle of power. But this domination did not go unchallenged for long. The USSR, another giant war victor, slowly recovering from the onslaught of the Nazis, rose to challenge US aspirations for world leadership. Focussing her primary attention on Europe she emerged as the dominant power in Central Europe. Faced with the possibility of a single giant land-

power dominating postwar Europe, the US intervened to contain the USSR within her already attained sphere of influence, and the Cold War was started. The US began to expand her containment policy aimed at confronting and defeating what the US perceived as Soviet and communist expansionism. The Cold War came to be viewed as a struggle between two opposing world views and systems, the capitalist and the communist, each determined to subjugate one another.

While in Europe US powerful position was broken by the Soviet Union, in Asia and the Pacific it was Communist China, Soviet's giant Asian ally, which defied US dominance and became the latter's main enemy following the outbreak of the Korean War in 1950. And with it US containment of the Soviet Union in Europe was extended to Asia as to include Communist China. Thus Asia and the Pacific were brought into the Cold War.

US containment of Communist China was the most important characteristic of the East-Asia and the Pacific policy of the US throughout the Cold War, which profoundly influenced the power equation and the security situation in this region. Prior to the emergence of the USSR as a naval power and Japan as an economic (super) power, the main actors in this region were only the PRC and the US. In addition to giving all-out support to the Chiang Kai-Shek regime in Taiwan, regarded as being the sole legitimate government of China, the US established a system of military alliances to check the PRC's strategy of expansionism. A containment line was drawn along China's entire Pacific coast from Northeast to South and along her Southern border. Since in the Northeast the military situation was more or less stabilised, the main area of contest between the two powers was Southeast Asia. North Vietnam's war for independence against French colonialism was perceived as spearheading Communist China's strategy of expansionism in Southeast Asia. This must be checked even at the risk of the US getting directly involved in the Vietnam War, which has indeed happened.

During the Cold War US' basic attitude towards the non-communist Asian nations, was determined by the degree of compatibility of these nations' policies with her containment policy. Those nations who endorsed and participated in her defence system were regarded and treated as allies and as such "enjoyed" her patronage; others who did not participate directly, but in one way or another were associated or allied with her western allies, were accorded less generous treatment, whereas those who were too independent and later joined the non-aligned movement were at first branded as immoral but later treated less harshly, albeit still with suspicions. Indonesia for example, not only did not agree with US policy, but her policies contradicted the US policy. Indonesia recognised Beijing as the sole legitimate government of

China; Indonesia also recognised Hanoi and had diplomatic relations only with her, and not with Saigon, US ally. Indonesia viewed the presence of foreign military bases and pacts as ineffective in combating communism, and more detrimental to peace, security and stability of the region as a whole rather than beneficial.

The single-minded pursuit of her containment policy that plunged her into the two most unpopular and controversial wars in US' modern history -- the Korean and Vietnam War -- gave the USSR, her main adversary, the golden opportunity to consolidate herself politically, military and technologically, enabling her to break the US monopoly of the atomic bomb, built up a blue-water navy, and thus became a nuclear and naval power with global reach like the US. Unlike the US, the USSR avoided to get directly involved in the two hot wars in Asia, that proved to be so traumatic to the US. Instead she gave political, financial and logistical support to her Asian communist allies. So the Cold War years had favoured the USSR more than the US. The USSR has now become a truly global power, capable to challenge the US almost anywhere in the world.

The combination of the deteriorating Sino-Soviet relations, that started in the 1950s, the surging tide of opposition to the Vietnam war domestically but also internationally, and the danger of the Soviet Union getting stronger while the US became ever more divided against itself, made imperative a change of policy. But the way how this change was brought about clearly showed that US interests are paramount to any other interests, including those of her allies. President Nixon's visit to Beijing in 1972 following that of Kissinger's in mid-1971, that officially terminated the Sino-American confrontation, was known as the "Nixon shock." The term implies US readiness to settle the fate of other nations and regions, in this case Asia, without consulting anybody, including her allies.

With this, Asia and the Pacific entered a new era, that is more complex, more fluid, with completely new power alignments, the era of ever closer and friendly Sino-US relations. What remained constant were US-Sino hostility, and US-Soviet strategic balance.

The new power line-up is constituted by the US, her Japanese ally, and the PRC on the one hand, and the USSR with Vietnam on the other hand. With the emergence of this new power configuration, the global strategic characteristic has also changed. Whereas during the Cold War two confrontations dominated the world scene, namely the US-USSR covering Europe, the Atlantic and the Middle East, and the US-Communist China in Asia and the Pacific, this has now changed into a truly global US-Soviet confrontation

covering virtually the entire world, even including Central America, US own backyard. Overemphasis on military-security and strategic considerations and on the use of military power which until now has characterised US basic strategy, has failed to produce results as desired by the US.

Meanwhile, in Southeast Asia, the former battleground of US-Sino confrontation, the first truly indigenous group of nations, without outside influence in its formation was born during the final years of the Cold War in Asia: the Association of Southeast Asian Nations (ASEAN). Having no desire to get involved in big power rivalry, ASEAN has been viewed as, and even accused of, especially by the communist countries, leaning to, or allied with the US. It is in the economic field that ASEAN does have a much more important relationship with the West (the US, Japan and the EEC, all US allies) than with the Soviet Union and company. But this is due to historical ties, and to the fact that ASEAN's socio-political and socio-economic systems are more compatible with those of these western nations than with the socialist countries.

REGIONAL POWER BALANCES

The relatively simple bipolar Asia and the Pacific of the Cold War, because of the sudden turn-around of the US, gave way to a more complex multiplicity of power constellation, in which the US, the USSR, the PRC and Japan were most prominent. Although of lesser importance, other newly emerging powers, such as ASEAN, and the Indochinese countries, have also to be taken into account by those four major powers. Let us examine in broad outlines the role and its impact of the four main actors on the overall situation of the region.

US Growing Interest in the Pacific Region

The US is increasingly aware of the growing importance of this region, politically, culturally, economically, and strategically.

Politically, the US is discovering that she shares many common interests with her allies and friends in the region, particularly Japan, the PRC, Australia, New Zealand, and ASEAN as regards a peaceful and stable Asia and the Pacific, especially Southeast Asia, a most strategically important sub-region.

Culturally, it has been said that US demographical centre of gravity is shifting westward and that a growing number of Americans are becoming more attuned to the Pacific and Asia. Statistics point to the fast growing segment of

the American people, the Asian-Americans. This process is continuing, carrying with it also a gradual shift in the American political centre of gravity. The growing and dynamic cities in the Westcoast area, such as Los Angeles and San Diego, the San Francisco Bay area, Seattle, Portland, are challenging or even surpassing the Eastcoast cities of New York, Boston, Philadelphia, and Baltimore as commercial centres.

Economically, an increasing percentage of US trade is with the countries in this region, that already surpasses her trade across the Atlantic. The economic dynamism of the region slowed by the unfavourable world economic situation in 1985, is expected to pick up again and continue to leave behind other regions of the world for the remainder of the century. As more and more US companies are becoming aware of the trade and investment opportunities in this region, the US economy is bound to become even more interdependent with the dynamic economies of Asia. The prospect of the Asia-Pacific Era in the 21st Century, may yet be realised, if the leaders of these nations, in particular the US, have the vision and statemenship needed to cope with, and seize, the unparalleled challenges and opportunities at hand.

Strategically, as Assistant Secretary of Defence, Richard Armitage pointed out in his remarks to the National Defence University Pacific Symposium, on February 22, 1985, five of the US eight mutual security treaties are with nations of this region, and six of the world's largest Armies are in this region, the Soviet Union, China, Vietnam, India, North Korea and the US. The security of the vital lines of communication of US allies in this region, especially Japan, and the Phillipines, who are highly dependent on Middle East oil, is vitally important to the US, in the light of the increasing Soviet military naval presence in this region.

These factors have contributed significantly to US determination to remain a Pacific Power. This has become the foundation of, and the rationale for, the new US Asian-Pacific policy that was to emerge.

President Reagan's earlier mentioned speech of February 22, 1983 is noteworthy in that it spells out this policy. It rests on six pillars, viz. US-Japanese relationship as its centre piece (R. Armitage expanded this by saying that Japan is not only the centre piece of US-Asian policy, but also one of US primary partners on the global stage), US-PRC relationship "not only for stability and peace in Asia but around the globe," the continued commitment of relations with the people of Taiwan, the strong ties with the Republic of Korea, strong mutual ties with ASEAN and its individual members, and "one of the most significant relationships we have in the world today, the ANZUS pact." President Reagan's visits to Japan and Korea in late 1983, and to the

PRC in 1984, reflected this growing American interest in this region and its increasing importance to her, especially Northeast Asia.

The Soviet Union as a Pacific Power

The first priority of Soviet foreign policy is to guarantee her national security, while the second priority is to extend her influence as far as possible beyond her borders to preserve existing, and create new spheres of influence, primarily in the Third World. With Central Europe firmly under control, the USSR has attained her first priority objective in Europe. Her break with Communist China in the fifties, US rapprochement with China followed by the growing commonality of Strategic interests between these two powers, gave the impetus for the Soviet Union to build-up a massive military and naval capability in East Asia and the Pacific. The spectre of an anti-Soviet US China-Japan security coalition in particular prompted her to gradually shift her strategic emphasis from Europe, which is already secure, to the new strategically very important region. This change of emphasis highlights her security interests and her need to be highly visible among the countries of this region, not only as an Asian power, but also as a global superpower.

US containment policy which plunged her into two Asian wars and her subsequent withdrawal from the Asian mainland retreating into herself, offered the USSR the needed opportunity to gain a firm foothold in the region. Not only has she achieved her first priority objective as regards her national security in influencing this part of the world, but she has also succeeded to a certain degree, in expanding her influence here. Her treaties with Mongolia, North Korea, India, and Vietnam, the consolidation of her occupations of the Northern Territories, and Afghanistan, attest to this. This has been the result of a combination of grand design and opportunities created by default on the part of her archrival, the US. Moreover, since Gorbachev came to power, a new China policy has been evolving, one that would pursue more consistently the process of Sino-Soviet normalisation and would open possibilities for mutual consultations on global issues. This new approach, coming as it did at a time when China needed all its energy and resources to concentrate on domestic reforms and modernisation, has cooled considerably Beijing's earlier enthusiasm for a "strategic co-operation" with the US. Nonetheless, Vietnam because of Cam Ranh Bay, is strategically important to the Soviet Union in her confrontation with the US, and as the main base for the expansion of her influence in Southeast Asia. It is a significant addition to Soviet power projection capabilities in the Pacific and Indian Ocean, indispensable to her superpower status. And thus, it is not likely that Moscow would be willing to trade it off for improved relations with China. On the contrary, while revitalising diplomacy, the Soviet Union seems determined to continue to strengthen her military presence there and in the region.

Despite these rather favourable developments, the Soviets have been unable to translate them into political or economic influence beyond perhaps North Korea and Vietnam. Yet she might profit once again from possible policy mistakes of the US.

China's Ambitious Future Political Route

China has been very much in the centre of American attention since the Nixon shock of 1972, especially after the new Chinese leadership launched its four modernisation programmes in late 1978. The US is assisting her in these programmes, by granting her virtually everything she asked, including nuclear technology, even though the PRC has not signed the nuclear non-proliferation treaty. The US granted her most favoured nation trading status in 1979, provided guarantees to American private businesses investing in China, encouraged Japan and other Western countries to invest in China, provided capital to various international organisations where China borrowed heavily, helped her in developing technology, including military technology, extended scholarships to thousands of Chinese students to study in the US, and so forth. In short the US has developed a web of economic, trade, scientific and cultural ties which seems to be expanding. (There are about 21 protocols under the Science and Technology Agreement alone).

The rationale for this exceptional approach has been the desire on the part of the US to develop a Sino-American strategic co-operation. Strategic co-operation with China, it was thought, would tilt the strategic balance in favour of the US. At least it would tie down Soviet troops and armament along the Sino-Soviet border and disperse her nuclear targeting system by having to include China in the list of targets. It would also help to check Soviet expansion in South Asia (Afghanistan) and Southeast Asia (Vietnam).

Indeed, to a certain degree this policy seems to have paid off, in the sense that China has provided the US with intelligence posts in China, sent arms to Afghan rebels and anti-Vietnamese forces in Kampuchea (the Khmer Rouge or Pol Pot forces), all to the advantage of the US. Yet, it still remains questionable, whether this has been the fruits of US' China policy, and whether China has indeed become US' strategic ally. There are many foreign policy areas where China and the US are not on the same side. China has not supported US' Central American policy (Grenada, El Salvador, Nicaragua), neither did it support US policy toward Lech Walesa's Solidarity Movement in Poland; she abstained on a US -- proposed resolution on the United Nations condemning the Soviet Union for shooting down KAL Flight 007, she has supported Iran with military equipment, etc. Indeed, the latest indications have pointed to

China's determination to stay clear from superpower strategic competition and concentrate on economic development! Many things attest to that, such as the reiteration of her "non-aligned and independent foreign policy" at the twelfth Party Congress, the extraordinary way the Chinese have commemorated the fortieth anniversary of Soviet V-E Day in May 1985, the economic-trade-and technology agreements she has signed with the Soviets, exchange of visits between parliamentary delegations of both countries, agreement for exchange of visits between both countries' foreign ministers which indicates Moscow's preparedness to consult Beijing on global issues, and so forth!

Even though the present leadership seems to be in control, yet it has been increasingly criticised for its excessive "look-West and open door policy." This policy, especially as regards China's economic reforms are worrying the veteran revolutionaries as leading China farther and farther away from Chinese socialism. Various political forces are at work in the country which would make Deng's efforts increasingly difficult, and dim the outlook for continuity and rationality in China's foreign policy in post-Deng China. China might well become the great peace disturber again in the region rather than the great peace guarantor!

Despite her often repeated disclaimers, China has ambitions to become a major force in regional and world affairs. But she is realistic enough to recognise that this goal can be attained not by aligning herself with either one of the superpowers, but rather by identifying herself with the Third World, particularly with the non-aligned movement, and become its leader and spokesman.

America wants to think that her China policy is for the good of this region and the world at large. But many nations, including Indonesia, have their doubts and misgivings about this. These countries have their reasons to be very cautious with regard to Communist China. China has territorial claims, which are the results of the so-called "unequal treaties" she does not recognise. Regional objectives, in particular territorial restoration and national security considerations have the highest priorities in her international policy. She has repeatedly shown her preparedness to risk military conflicts to achieve these objectives. Thus it does not seem unlikely that by growing much stronger, economically, technologically and militarily, she will be even more prepared to use military means to prevent any regional developments which she views as detrimental to her national security. Her claim to most of the South China Sea is a case in point. If this is realised, then she can influence events in the whole South China Sea, which will then become her "patrimonial sea."

Another cause for concern, especially for the Southeast Asian countries, is China's continuing adherence to her "two-tier policy" in international rela-

tions. This gives her the advantage of always having the choice to employ that particular element of the two-tier policy that best suits the specific situation and best serves her purpose.

Japan's Role

Japan is America's most important ally. In the context of American policy to counter the Soviet threat, Japan -- at this point in time at least -- is still more important to the US than the PRC.

Japan is very much part of the economic dynamism of this region. It is a developed country and belongs to the First World. She is the leading trading partner of ASEAN and the top investor in Southeast Asia. She is also the leading or second largest trading partner of almost every Asian nation, and gives extensive aid to almost all Asian nations. In terms of GNP it ranks next to the US. In international relations, her main consideration is business, not politics, despite US pressures to have her play a more active international role and assume a greater regional defence burden and responsibility. This, understandably, has created uneasiness and misgivings on the part of the developing nations, especially in Southeast Asia who would rather see Japan give more meaningful support for their economic and industrial development and allow their manufactured exports better access to her markets.

Japan is concerned about Soviet military build-up. She sees the Soviet Union as potentially her most dangerous neighbour. Yet, she does not wish to join an anti-Soviet alliance. On the contrary, geopolitical realities necessitate her to seek a 'modus vivendi' with the USSR. But so long as the Soviets refuse to negotiate a satisfactory solution to the question of the Northern Territories, and continues to strengthen her military presence there, any significant improvement in Soviet-Japan relations is unlikely. Japan has a defence pact with the US, signed in 1951 and renewed in 1960 which remains in force indefinitely, but it was intended only to serve notice to the communist bloc that the US was responsible for Japan's security. So Japan has no defence obligations toward the US and also no defence responsibilities toward this region beyond her own homeland.

Japan's threat perceptions do not coincide with the American's; in fact they differ from Washington's. In his book "Beyond War, Japan's Concept of Comprehensive National Security" (Fergamon: Brassey's International Defense Publishers, 1984), Robert W. Barnett mentioned some dangers which are most alarming to Tokyo. These are fears of losing access to natural resources, particularly energy for which she is dependent in oil for 99,8% and

83,4% in coal (fy 1981), losing access to the American and other markets, losing acceptability as an active partner in the dynamic economic growth of Southeast Asia, and fear of surges of great disorder anywhere. That explains why the Japanese people are quite content with the original Japan - US defence pact, even though PM Nakasone has been making more hawkish noises ever since he came to power. It is Japan's national commitment to a "no war" concept, that has enabled Japan to co-operate with all (developing) nations in this region, that has made it a most dynamic growth region in the world.

Hence the "uneven trade balance" between Japan and the US which the US has tried to rectify through legislative action to force the principles of "free trade" and "fair trade" as perceived by the US, on not only Japan but on the rest of the world, is particularly troubling to the developing nations in this region, because of its potential disrupting effect on the whole fabric of Pacific economic co-operation, and intra-regional economic relationship.

Another problem which is also of concern to the nations in this region, especially Southeast Asia Nations, is the spectre of a strongly "rearmed Japan" exceeding her home-defence requirements. As mentioned earlier, the nations in this region feel more comfortable with Japan who focuses its role on supporting the economic development of the developing nations. An expansion of Japanese naval forces and of her defence role would do more harm to the security environment of this region than to build-up confidence.

NATIONAL DEVELOPMENT, THE REAL ISSUE IN EAST ASIA AND THE PACIFIC

Except for some parts, Southeast Asia is peaceful and increasingly prosperous, thanks to the realistic and pragmatic policies of ASEAN. Basically these countries are Western oriented, both politically and economically. At the top of their agenda and that of other countries in the region are issues of national development, primarily economic development, and not issues of external military threats, nor the strategic balance of the superpowers. They do not wish to become embroiled in great power rivalry. What they want from the US and other big powers is a healthy and open economy. They also want a strong US presence in the region, one that will bring peace, stability and prosperity to the region, and not instability and insecurity. This will give them the chance to continue with their national and economic growth which are so important to their national stability and domestic security.

This growth is presently being jeopardised a.o. by the weakening terms of their trade with the industrialised countries, harder access to the latter markets

due to the rising tide of protectionism, and so on. The manner in which those issues are resolved, in particular the economic policies of the advanced industrialised countries, will impact the domestic stability of the developing countries that in turn may affect regional stability, which is obviously against the interest of the US.

Trade in particular has played an important role in the rapid progress in developing countries. Their increasing outward orientation of the last few years, was based on the hope and assumption that the advanced industrialised countries would maintain and accelerate the momentum of economic recovery following the recent global recession, and resist protectionist pressures. For example, although Indonesia's trade with the two industrialised giants of the world, and of the region, Japan and the US, is small in proportion to the size of these two countries' trading regimes, it is of major importance to her. In 1983 exports represented almost 25 per cent of Indonesia's GDP (IMF, October 1985). Japan and the US absorbed some 66 per cent or roughly two third of that, and hence accounted for approximately 17 per cent of Indonesia's aggregate demand. Therefore, because of the dominant importance of the industrialised countries as markets for the developing nations, and the extensive trade relations between them, increasing protectionism on the part of the industrialised countries is especially worrisome. It not only reduces the exports of developing countries, but also jeopardises their debt-repayment ability, which affects both the creditor -- and debtor-countries.

Another cause for concern is the present impasse of the North-South dialogue. Failure to address this problem satisfactory could lead to a deterioration of North-South relations. This will be also reflected in this region, since first, the region's developing nations are part of the Third World and share the aspirations and perceptions of the Group of 77, and second, the issues at stake are of vital importance to these nations' economies and development.

All these issues, combined with the continuing military build-up of the two superpowers, create potential instability, especially if they establish links with internal sources of domestic conflicts within the developing nations.

The internal or domestic sources of conflicts are of a political, economic, social, and even cultural, ideological, and religious nature. They are multi-dimensional and complex. Emphasis on military-security means in coping with them is not the right approach. On the contrary, it can even exacerbate the situation. The key issues here are "change" and "rising expectations and demands" brought about by national development and modernisation under conditions, where social, political and economic institutions are not yet adequately established, and the society at large is in transition. Failure to meet the

rising demands and expectations of the people will likely create widespread frustration, impacting domestic stability.

Hence, the causes of instability and insecurity of the developing nations in the Pacific region, are basically rooted in domestic conditions. Since internal conflicts and instability are the domain of national affairs, the responsibility of their resolution rests with the national governments concerned. Nonetheless, external powers, especially big powers, can help or impede efforts of these nations to build up their national resilience, which is a nation's capability to strive for prosperity and well-being, while at the same time also to be capable to dealing with threats and dangers, domestic and external.

CONCLUSION

The US is a superpower with global interests. Central to these interests is the maintenance of a strategic balance with her rival, the USSR. Nothing is more important to her than the preservation of this strategic balance, which is the essence of East-West relationship.

Since militarily, both powers have achieved parity, an increase in superpower competition for power and influence in the Third World can be expected. It is in this area, that the US -- by neglect or failure to understand the real dynamics of the Third World -- gives cause for concern. Her policy on the Middle East, South Africa and Namibia, Central America and the Caribbean, her inclination to emphasise the use of military force, and even her interference in the latest Philippine crisis, are cases in point. So are her reluctance to address properly the North -- South issues, and her belligerent stance on the convention of the new Law of the Sea.

The US professes to work for peace, justice, and freedom in the world. But she is perceived by the majority of third-world countries, if not all, as conniving at the continued occupation of Arab territories by Israel, and she is also perceived as not doing enough for justice, freedom and peace in South Africa by letting the white racist regime get away with its "apartheid politik." All this creates an image of the US as a power that tends to force her own interests on other countries to make them realise, accept and adopt her ways. Perhaps this attitude has its source from the genuine belief and conviction of the American people in the superlative quality of their system that has made the US what she is now, a worldleader, a superpower. Secretary Shultz's remarks in his address to the Trilateral Commission in Washington, DC on April 3, 1984 entitled "Power and Diplomacy in the 1980s" are testimony of this. He said: "But we are the world strongest free nation, and, therefore, the preservation of our

values, our principles, and our hopes for a better world rests in great measure, inevitably, on our shoulders." Shultz believes that power and diplomacy are not alternatives, they must go together, or they (the American people) will accomplish very little in this world. Perhaps he is right with regard to American relationship with the Soviet Union, the other superpower. But, if this policy is also applied with respect to her relationship with the Third World, then it will likely be counterproductive, and in the game of global competition the US will lose out to the Soviet Union.

The US inability to understand the political dynamics mentioned earlier is related to her preoccupation with the effects of these dynamics on the super-power balance, rather than their causes. She tends to see those dynamics as directly or indirectly influenced by the Soviet Union, which makes her (the Soviet Union) the cause and the beneficiary of regional instabilities and conflicts.

The US economic power is unmatched; the Soviets are trailing far behind. Her relations with most nations of this region are strong and getting stronger, and she is the leader of the Western industrialised countries with strong economies. The majority of the Asian-Pacific developing countries have embarked upon economic and social development. Their economic system is much closer to the Western concept, which is open and relatively free, and increasingly based on market forces. Their political system is again closer to the Western concept, vis. democratic. But great historical and cultural differences make impossible a total and complete adoption of the western system. Nationalism, national development, and economic growth are more important at this point in history than wholesale adoption of those values as civil rights, political rights, human rights, etc. which, in any case, are still being abused, even in western societies themselves. The non-communist Asian nations are developing democratic institutions, based on their own value system and philosophy. So it is more sensible and logical for the US to rely more on her strong points, which are economic strength and generally strong relations with Asian nations, with the aim of winning more friends and influencing people, for peace, stability and prosperity in the region and in the world.

As Secretary Shultz has so aptly said in his speech to the Foreign Policy Association in New York, on April 27, 1984 entitled "The US and the Developing World: Our joint stake in the World Economy": "Therefore, our policies toward the developing world must include a range of means and depth of understanding. We must offer patient support for social and economic reform and for the strengthening of free political, economic, and social institutions. Sometimes we must offer security assistance to help ensure that the process of democratic evolution is not disrupted or overwhelmed by armed minorities

backed by external powers and alien ideologies. And we must continue our proud record of leadership in international trade and financial co-operation to promote economic development and progress in the developing world."

The US certainly has the capacity and the capability to translate those words into deeds. The time is now to take steps in that direction. They are in the interest of the region, and of the US. The US should not wait until there is a real communist threat before taking those steps, because then it may be too late.

Trade Policy Issues Facing Resource-Rich Countries: Perspectives from Indonesia

**Suhadi MANGKUSUWONDO
Djisman S. SIMANDJUNTAK**

INTRODUCTION

In view of the growing tendency among the participants of the world trading system to conduct trade on a selective basis, that is to give different treatment to different categories of traded products, it seems reasonable to expect that a resource-rich developing country such as Indonesia, will respond differently to the erosion of the international trading system as compared to other developing countries which rely heavily on export of manufactured products such as South Korea. However, different composition of trade does not necessarily result in different pre-occupancies of trade policy.

The fact that issues related to trade in primary commodities which are of paramount importance to Indonesia's economic development, does not at all mean that policy issues related to manufactured products and services are of secondary importance. Indeed, the weakening world demand for primary commodities has again awaken a growing awareness in Indonesia of the pressing need for expanding the export of manufactured products, strengthening rather than weakening the similarity of its trade policies concerned with those of the more advanced developing countries such as South Korea. Indonesia's interest in joining efforts towards restoring the open trading system is, therefore, growing. However, the extent to which this interest can result in a firm commitment, depends strongly on the issue coverage of envisaged trade negotiations and on the willingness of the major trading countries to respond to the demand of the developing countries for more favourable trade concessions in compliance to the basic norms of GATT.

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MAJOR POLICY ISSUES

Recognising the high dependence on commodity trade and the transition which is needed for restructuring adjustments to bear fruits, Indonesia will continue to seek joint efforts to stabilise commodity markets. A widening range of issues will be put forward. In addition to traditional issues, such as international commodity agreements, producers' co-operation and protection escalation, the growing competition from artificial materials and subsidisation that may involve in the development of these materials will gain in importance. Nevertheless, Indonesia's attention will remain centred on the old issue of protection escalation as far as trade in primary commodities is concerned.

Obviously, protection escalation goes far beyond tariff escalation. Japan's import quota for plywood and Germany's import quota for petroleum products point out to the escalative nature of quantitative restrictions on resource-based products. Furthermore, the phenomenon of escalation is also felt in respect to technical standards, anti-dumping measures which tend to force exporting countries to agree on "voluntary export restraints" and transportation costs, although it is difficult to investigate to what extent this phenomenon can be attributed to protectionist intentions. The penalising impact upon diversification efforts in resource-producing countries is, nonetheless, clear. Yet, the importance of such a diversification to Indonesia's economic development cannot be over-emphasised. It is supposed to be among the few areas where new opportunities for investment and employment are relatively in abundance. It is also widely perceived as an area where Indonesia can develop its international competitiveness. Failure to relax the protection escalation is, therefore, likely to result in tightening restrictions on export of unprocessed materials, such as the recent ban on the export of timber clearly shows. Similar steps can be initiated in respect to rattan of which Indonesia is by far the largest exporter, also crude palm oil, coffee, tea, and rubber, though they seem unlikely to be extended to crude petroleum and hard minerals where buyers' market rather than sellers' market are prevailing.

It may sound like a paradox to say that the so called agricultural protectionism is, so far, of peripheral importance to Indonesia's trade policy agenda. There is practically no agricultural item where Indonesia is positioned to generate a considerable amount of exportable surplus, the favourable geographical conditions notwithstanding. Indonesia's interest in this category of trade is similar to that of a net importer rather than that of a net exporter. This does not mean, however, that Indonesia is indifferent as to what is happening to trade in agricultural products. Being a member of both ASEAN and the Group of 77 and recognising its potential for becoming a net exporter of some products such as sugar, canned fruits and vegetables, Indonesia has an interest to

joint other countries in bringing rules to agricultural trade, that is to extend GATT principles to this category of trade.

There are various reasons that give rise to Indonesia's interest in joining international efforts to liberalise trade in manufactured products. Firstly, the vulnerability of a trade policy which heavily relies on the export of primary commodities has widely been realised. As early as 1982, when the present abrupt decline in oil prices was thought of being unlikely, efforts have been initiated to promote non-oil exports which remain fragmented so far. Secondly, the generous inflow of foreign resources following the favourable commodity markets, external borrowing and foreign direct investment in the seventies has enabled Indonesia to install a rapidly growing capacity of industrial production. In some industries, capacity has even surpassed the limited domestic demand, meaning that the need for export has become more and more urgent. Thirdly, in spite of the promising development of the computer-aided "Flexible Production System" in which the importance of the labour costs to the total production costs is expected to decline considerably, Indonesia believes firmly in its ability to improve its international competitiveness in some manufactured products which are now in the process of becoming more and more inefficient in the developed countries. Indeed, textile products are no longer the only ones which constitute the export palette of Indonesia. Cement, carbon-based fertiliser, electrical appliances and dry batteries -- to mention only a few examples -- have lengthened the list of Indonesia's export of manufactured products, though in small quantity. Other products such as footwear and furniture are very likely to enter the international markets in the near future.

Having explained the reasons behind the growing interest in Indonesia to join the liberalisation efforts in respect to trade in manufactured products, the next step is to identify policy issues which are of immediate relevance to Indonesia. No doubt, the MFA is the prime target of Indonesia's possible involvement in the new round of Multilateral Trade negotiations, while issues related to other products are of peripheral importance at present. It is in the MFA-covered products where Indonesia's modest export of manufactures is currently concentrated and it is here where efforts to improve competitiveness are most likely to come to fruition in the foreseeable future. Unfortunately, it is precisely the MFA-covered products that suffer most from the erosion of the international trading system.

The likely tightening of the MFA is worrying from Indonesia's point of view. Yet, trade in textile products are suffering from blows of a different nature. The volume of Indonesia's export of textile products is too modest to cause an "Injury" to the gigantic US textile markets, meaning that the inclusion of Indonesia in the countries affected by the Jenkins Bill is basically

unjustifiable. Indonesia seems to have been a victim again of the heightening trade friction among the major trading countries themselves as it has once been a victim of the US-Japan trade conflict which curiously led to a deal that penalises Japan's import of plywood from Indonesia in favour of import from the United States.

Furthermore, the fair trade campaign of the United States has resulted among other things in a commitment on Indonesia's side to refrain from subsidising export through an "extended draw-back schemes" and preferential export financing, the worldwide employment of these two measures notwithstanding. These are the major issues which need to be given serious attention by the major trading countries to pave the way for active participation of developing countries like Indonesia in the new round of MTN.

It is certainly insufficient to limit attention on trade in merchandise at a time when the major trading countries are insisting on the inclusion of trade in services in the new round of MTN, although the position of these countries has remained nebulous so far. This is one of the reasons behind the acceptance of the "Stockholm Compromise" by ASEAN, that is to deal with the so-called pending issues of trade in merchandise and issues related to trade in services simultaneously. The other reason relates to the imperative of efficient services on which the success or failure of Indonesia's efforts to diversify her export of manufactured products is crucially dependent. In other words, Indonesia is basically open minded as regards the inclusion of services in the new round of MTN, though there are clearly constraints to Indonesia's participation in such a round.

Trade in services has always been responsible for the chronic deficits in Indonesia's current account, meaning that Indonesia is a net importer of services. In addition to a large amount of investment income, there is a chronic deficit in shipping, air transportation, and travel. This deficit reinforces the reluctance on Indonesia's side to open its market for services, a reluctance which is basically shared by all countries. On the questions related to intellectual property rights, Indonesia is still in a process of defining its position. The importance of protection to intellectual properties such as patent, licenses, industrial design and trade mark is clearly recognised. Nevertheless, the existing international conventions on the protection of these properties are needy of revision following the wellknown shortening of the product life cycle. The shorter is the latter, the shorter the duration of the necessary protection should be.

To better understand Indonesia's cautious reaction to the demand of the United States and other developed countries for an immediate negotiation on trade in services, it is important to underline the fact that we are dealing with a

very high degree of complexity as far as services are concerned. Some services can be traded only with the physical movement of their bearers while others do not require such a physical movement. Some services are perceived to be highly sensitive to the national security while others are related to security issues only indirectly. This complexity suggests that there is perhaps no such thing like a single position which applies to all services. The preference for selectivity is seemingly much stronger in the trade in services than in the trade in merchandise. A country such as the United States may argue strongly for a freer trade in some services such as information, but insist on a highly restrictive policy on other services such as labour services. This ambiguity afflicts perhaps the majority of GATT contracting parties, including Indonesia. Unlike banking, shipping and air transportation for instance, domestic trading in Indonesia is closed to foreign participation except for foreign investors in the country who still are allowed to directly procure their own needs from the domestic market.

THE OUTLOOK

Given the highly complicated issues which need to be covered and the currently divergent interests of the individual countries that are expected to participate in the new round of MTN, Indonesia is realistic enough as to what the new round can result in. In spite of the long list of Indonesia's wishes, the new round is not expected to result in a breakthrough of liberalisation which would be comparable to the results of the initial round of GATT or those of the Kennedy Round. Nevertheless, less spectacular steps which may accumulate in such a way as to provide a momentum for a major exchange of trade concessions, are perhaps within reach.

The immediate aim of the new round should be a stand-still which seems to be in everyone's interest, including Indonesia. In the meantime efforts should be made to help strengthen the surveillance by GATT of its contracting parties' trade policies. A periodical country report to be produced by GATT staffs may serve this purpose. The Report of the Seven Wisemen does indicate other realistic steps towards a freer trade in the future which the contracting parties can agree on without any immediate impacts upon the existing protectionist policy.

Of no less importance is incentives to a more active participation of an increasing number of developing countries. Reference needs to be made here to the loosely formulated Part IV of GATT. A real commitment to this part of GATT on the developed countries' side may sound like a violation of non-discrimination, but not necessarily the principles of reciprocity and liberalisation. Obviously, the last two principles can still be maintained even if there is an ine-

quality between concession and compensation. The basic formula should allow developing countries to liberalise at a slower speed than the developed ones, meaning that concessions from the developed countries is to be reciprocated with a compensation of less trade importance.

It will be difficult to negotiate on such a formula. Indeed, recent developments indicate that the chance is lessening for Indonesia to benefit from the new round. GATT can practically do nothing to alleviate problems that arise from the declining trends of the international commodity markets. The more so, recent trade policy debates in the United States point out to the emergence of a more protectionist rather than a more open policy towards the few products which are of interest to Indonesia, meaning that the probability of attaining real trade concessions is dwindling. On the other hand, the fair trade campaign of the United States has begun to show results at a time when negotiations have not even started. The opportunity for profiting from the new round is, in other words, unequal. It damps the antusiasms of Indonesia's government to actively participate in the new round, its basically open position notwithstanding.

ASEAN Approach to Industrial Co-operation

R.B. SUHARTONO

Industrial co-operation in ASEAN has been undertaken within the framework of economic co-operation; while ASEAN had been formed in 1967, economic co-operation gained momentum only after the Bali Summit in 1976.¹ Subsequently, some important measures of economic co-operation were agreed upon. As mentioned in the Introduction these are: the ASEAN Preferential Trading Arrangements; the ASEAN Industrial Projects; the ASEAN Complementation; and the ASEAN Industrial Joint Ventures. It has been suggested that the system of ASEAN Preferential Trading Arrangements is the cornerstone of the various industrial co-operation schemes.²

This article is a continuation of "Basic Framework for ASEAN Industrial Co-operation" published in *Indonesian Quarterly*, vol. XIV, no. 1 (January 1986) and presented at the Fifteenth Pacific Trade and Development Conference organised by the Japan Economic Research Center, Tokyo, 26-29 August 1985. Dr. R.B. Suhartono is Head of the Agency for Industrial Research and Development of the Department of Industry.

¹At the Bali Summit the five Heads of Government endorsed the institutionalisation of ASEAN economic co-operation and established a working machinery headed by ASEAN Economic Ministers. In the *Declaration of ASEAN Concord*, the programme of action adopted as a framework of economic co-operation includes industrial co-operation and co-operation in trade. With respect to the former, it is stipulated that member states shall co-operate to establish large-scale ASEAN industrial plants, particularly to meet regional requirements of essential commodities, where priority shall be given to projects which utilise the available materials in the member states, contribute to the increase of food production, increase foreign exchange earnings or save foreign exchange and create employment. With regard to the latter, the stipulation includes: member states shall progress towards the establishment of preferential trading arrangements as a long term objective, and the expansion of trade among member states shall be facilitated through co-operation on basic commodities, particularly in food and energy and through co-operation in ASEAN industrial projects.

²See Mohammad Sadli, "ASEAN Industrial Co-operation," *Indonesian Quarterly*, vol. XI, no. 1 (January, 1983).

ASEAN PREFERENTIAL TRADING ARRANGEMENTS (PTA)

It has often been mentioned that the five member states held divergent views on the method and pace of liberalising trade. The Philippines and Singapore were said to be strongly in favour of an across-the-board trade liberalisation, while Indonesia and Malaysia were inclined to a cautious and gradual step-by-step approach.³ Whatever may have been the case, it has been suggested that where there exist disparities in the tariff rates, equilinear tariff reductions should be effected with utmost caution, so that the item-by-item approach appeared to have promised greater probability of success in the ASEAN context.⁴ It may again be recalled that the United Nations Team also recommended for a selective and gradual approach to trade liberalisation.

While negotiations on the preferential trading arrangements as stipulated in the *Declaration of ASEAN Concord* were going on, Singapore, the Philippines, and Thailand proceeded with preferential trading arrangements on a bilateral and trilateral basis.⁵ Subsequently, these arrangements were apparently superseded by the *Agreement on ASEAN preferential Trading Arrangements* which established Preferential Trading Arrangements (PTA) among the member countries for ASEAN trade expansion.⁶

³The position of Singapore is obvious since the country has adopted low tariffs and rather liberal trade policy: its average level of nominal protection for the entire manufacturing sector was estimated at around 5 per cent, and that of effective protection 18 per cent. See S.Y. Chia, "Size of Market and Export Oriented Industrialisation in Singapore," in N. Suzuki (ed.), *Asian Industrial Development* (Tokyo: Institute of Developing Economies, 1975); according to one estimate, over 90 per cent of tariff rates in the consolidated ASEAN schedule falling within the range of 0-10 per cent applied to Singapore. On the other hand, Malaysia had lower average level of nominal protection (18 per cent) as well as that of effective protection (44 per cent), compared to the Philippines, where the rates were respectively 30 per cent and 62 per cent. See M. Ariff, "Protection for Manufactures in Peninsular Malaysia," *Hitosubashi Journal of Economics*, vol. 15, no. 2 (February 1975), and J.H. Power, "The Structure of Protection in the Philippines," in B. Balassa (ed.), *The Structure of Protection in Developing Countries* (Johns Hopkins, 1971).

⁴See M. Ariff, "Trade Policies and ASEAN Industrial Co-operation," in Mohamed Ariff, Fong Chan Onn, and R. Thillainathan (eds.), *ASEAN Co-operation in Industrial Projects* (Kuala Lumpur, Vinlin Press, 1977), pp. 158-159.

⁵One week before the third ASEAN Economic Ministers meeting in Manila, Singapore and the Philippines signed the first bilateral trade co-operation pact on 20th January 1977: both countries agreed to implement mutual across-the-board preferential tariff reductions of 10 per cent of existing tariffs on all products traded between them. On 1st February 1977, Singapore and Thailand agreed to a preferential tariff agreement on certain groups of products. Subsequently, these preferences were extended to the trilateral level, providing for a tariff cut of 10 per cent for about 1,700 items traded among these three countries.

⁶With the establishment of the PTA, the governments have agreed to extend trade preferences to each other; to implement concessions on products originating from all member countries agreed upon among them through rounds of negotiations; and to co-operate through mutual assistance in respect of basic commodities, provision of market support for the products of the ASEAN industrial projects, expansion of intra-ASEAN trade, and an increase in the utilisation of raw materials available in the member countries.

Instruments

Long-term Quantity Contracts

The member countries have agreed to undertake long-term, generally three to five years (depending on the products and their quantities, subject to annual review), supply contracts for selected products, giving priority supply in times of worldwide shortage.⁷ Contract prices were to be negotiated, providing lower and upper ceilings.

Purchase Finance Support

For selected products of ASEAN domestic origin, purchase finance support at preferential rates may be applied to exports to, or imports from, the member states. The Committee on Finance and Banking and the ASEAN Banking Council of the private sector already discussed the possibility of setting up an ASEAN export-import bank.

Preference in Government Procurement

In respect of procurement by government entities, pre-tender notices for international tenders should be sent by one member state to the others. A preferential margin of 2.5 per cent (but not to exceed US\$40,000) per tender from untied loans is to be offered and applied on the basis of the lowest evaluated and acceptable tender.

Tariff Preferences

Initially the margin of preference were to be negotiated on a product-by-product basis; the concessions agreed, whether reached on a multilateral or bilateral basis, should be extended to all member states on ASEAN most-favoured-nation basis.⁸ Now, these preferences are also negotiated on across-the-board basis.

⁷An emergency sharing scheme for crude oil and oil products was drawn up in 1977. For Thailand's rice export, Singapore, Malaysia and Indonesia have been given priority over non-ASEAN countries. Singapore and Thailand have concluded a bilateral long-term agreement for the preferential supply and purchase of maize. Recently, Indonesia signed an agreement with the Philippines on the exports of 100,000-150,000 tonnes of ammonia annually, in exchange of around 440,000 tonnes of phosphoric acid over five years (60,000-80,000 tonnes for the first year, increasing to 100,000-150,000 tonnes for the fifth year).

⁸Under the Agreement two methods can be used. First, the matrix approach: a country may make a specific request to and get a response from another country. The second is the voluntary approach: each country volunteers a list of products for preferential treatment at each round of negotiations.

At first 71 preferences were identified (21 negotiated, and 50 based on voluntary offers; the list was implemented effective 1st January 1978, with preferential rates ranging from 10 to 30 per cent of existing rates.⁹ The number grew dramatically after the ASEAN Economic Ministers agreed to expand the number of preferences exchanged, deeper tariff cuts, and to automatic inclusion under the PTA.¹⁰ Within three years the number of preferences that had been implemented increased from 71 to 5,588, and by now to around 12,600; the status as of 1st April 1985 is indicated in Table 1.

An attempt to estimate the possible effects of tariff preferences on intra-ASEAN trade, however, seems to indicate that progress achieved in terms of the number of items which were given preference was accompanied by low, if not negligible, trade expansion.¹¹ At the same time, the values of exports of each member country, relative to their respective total exports, which are covered by the PTA seems to be very small (not exceeding US\$50 million).

⁹Perception differs on what it signified. On the one hand, it has been suggested that "these preferences were considered relatively significant regional trade items These items according to 1976 trade values amounted to US\$515 million in intra-ASEAN imports and US\$501 in intra-ASEAN exports, compared to US\$1.55 billion in the total ASEAN imports and US\$2.26 billion in the total exports." See ASEAN Preferential Trading Arrangements (PTA)," p. 9. On the other hand, it has been suggested that "the recent identification of 71 products by the ASEAN economic ministers for preferential tariff cuts ranging from 10 to 30 per cent does not represent a major break-through, after all. The items involved are either so unimportant in the total imports or traded intra-regionally with tariff levels which are already so low that the trade liberalisation effect of tariff reductions are likely to be negligible." See M. Ariff and R. Thillainathan, "ASEAN Industrial Co-operation -- Problems and Prospects," in *ASEAN Co-operation in Industrial Projects*, p. 9.

¹⁰The eight ASEAN Economic Ministers Meeting (September 1979, Manila) agreed to expand the number of preferences exchanged at each round of negotiation (held four times a year) from 100 to 150; to consider deeper tariff cuts; and to do away with lightly traded items often offered under the voluntary offer system, so that henceforth import values of less than US\$50,000 each (based on 1978 statistics) would be automatically included under the PTA. The amount of US\$50,000 was continuously increased (first to US\$100,000; US\$200,000; US\$500,000; then to US\$1-US\$2.5 million), and it reached US\$10 million in July 1983 and over US\$10 million in May 1984, with preferences ranging from 20-25 per cent, subject to an exclusion list of sensitive products.

¹¹An analysis on the effect of PTA scheme on trade expansion by Ooi Guat Tin in 1981 -- see "The ASEAN Preferential Trading Arrangements (PTA)" indicates the following conclusions. First, across-the-board tariff cuts of 20 per cent on small items is not likely to increase intra-ASEAN trade significantly. Second, a sensitivity analysis shows that deepening tariff cuts to 100 per cent and applying them to all items up to US\$500,000 would not result in dramatic trade expansion. Third, any effect of the new procedure (the groundwork of which was laid down by the eighth AEM meeting) would result largely from trade diversion rather than trade creation. See also S. Naya, "Preferential Trading Arrangements and Trade Liberalisation," (Project RAS/77/015/A/40), Bangkok 1980.

Table 1

STATUS OF MARGIN OF PREFERENCES EXTENDED BY ASEAN MEMBER COUNTRIES
(As of 1st April 1985)

Country	Total Number of Items	Preferences in Per Cent						
		20	25	30	40 ¹	50 ¹	60-100	Binding
Indonesia	2,670	958	937	587	86	43	—	2
Malaysia	2,234	974	33	506	124	33	486	—
Philippines	3,415	2,003	260	1,109	5	26	—	2
Singapore	2,450 ²	1	—	130	13	11	14	2,280
Thailand	1,823	521	62	1,030	151	49	—	10
Total	12,592	4,457	1,292	3,362	379	162	500	2,294

¹The Eighteenth COTT Meeting agreed that items with 33 ⅓ per cent, 35 per cent or 45 per cent MOP should be rounded up to a MOP of 40 per cent or 50 per cent. The Seventeenth AEM Meeting has endorsed the above decision.

²Includes above US\$10 million batch implemented on 1st April 1985.

Source: COTT Interim Technical Secretariat.

Applicability

PTA were to be applied to basic commodities (particularly rice and crude oil), products of the ASEAN industrial projects, and products for the expansion of intra-ASEAN trade provided they satisfy certain requirements on the rules of origin¹² and subject to certain escape clauses.¹³ Preferences are to be accorded on a product-by-product basis, taking into account existing levels of tariffs in the respective countries. Special preferential trading arrangements in regard to ASEAN Industrial Projects are embodied in supplementary agreements.¹⁴ The products of ASEAN Industrial Complementation Projects shall qualify for preferential trading arrangements.

¹²Set out in Annex I of the Agreement.

¹³Which allow for the suspension of preferences in certain situations: if imports eligible for PTA threaten to cause serious injury; if there is an overriding balance of payments problem; if in order to ensure sufficient domestic supply there is a need to limit exports; if other members do not fulfill their obligations.

¹⁴Such supplementary agreements shall include the provision that trade preferences shall be extended exclusively to the products of ASEAN Industrial Projects within agreed time frames.

The Committee on Trade and Tourism (COTT), established by the third meeting of ASEAN Economic Ministers in January 1977, has been authorised and directed to conduct trade negotiations as well as to review and supervise the implementation of the Agreement. COTT is assisted by a technical body, i.e. Trade Preferences Negotiating Group.

ASEAN INDUSTRIAL PROJECTS

The package of ASEAN Industrial Projects (AIP), providing for the establishment of large-scale industrial plants particularly to meet regional requirements of essential commodities, is the first major initiative for industrial co-operation in ASEAN. While the decision for the identification and allocation of the first package (comprising two industrial projects of urea for Indonesia and Malaysia, diesel engines for Singapore, superphosphate for the Philippines, and soda ash for Thailand) was bold and significant, it also indicated a careful and cautious approach, calling for feasibility studies first before launching the five proposed projects.¹⁵

¹⁵On the other hand, not long after the Bali Summit it has been suggested that "it appears that very little preliminary studies were done and the decision appears to have been taken rather hurriedly ... the industrial projects, except for the urea project allocated to Indonesia, seem to be heading towards impasse even in the initial stages." (Ariff and Thillainathan, "ASEAN Industrial Co-operation: Problems and Prospects," pp. 5, 8). Among the reasons mentioned can be cited as follows. On diesel engine: "What the planner have sadly overlooked is the fact that there are diesel engine capacities covering a wide spectrum of HP range in all the ASEAN countries with the notable exception of Singapore, either in operation or in an advanced planning stage. Indonesia for instance presently produces diesel engines up to 120 HP with firm commitments to produce diesel engines up to 500 HP. Malaysia has existing or planned capacity to manufacture diesel engines up to 200 HP, while Thailand, seems to have in the pipeline diesel engine projects to cover a range of 5 to 300 HP, meant mainly for automotive applications. The Philippines, which currently produces diesel engines up to 45 HP is firmly committed to start an automotive diesel engine project ranging from 50 to 400 HP. All these simply mean that the ASEAN diesel engine project assigned to Singapore will face serious problems in marketing its products within the ASEAN region. It can only supply the residual ASEAN market which appears to be too small for the project to be economically viable." On soda ash and superphosphate: "An examination of the soda ash and superphosphate projects, which have been allocated to Thailand and the Philippines respectively, suggest that the supply of critical raw materials for the two projects are not likely to be forthcoming at a reasonable price and on a regular basis. There is a serious security problem in Northeast Thailand, which is the main source of supply of rock salt for the soda ash project. Moreover, to connect the rock salt mine to the nearest port, vast investments in infrastructure facilities are required on railroads, and on port expansion which will lead to a step escalation in project outlays. In the case of the superphosphate project, it is expected to encounter severe problems in securing regular imports of phosphate rocks from third countries."

Through this package deal approach each country shall have at least one AIP.¹⁶ With the allocation of an AIP to a member country, similar new national project can only be established after consultation with member countries.¹⁷ The output is marketed within ASEAN and accorded trade preferences under ASEAN PTA, but a part can be exported.

Equity

Equity features of AIPs provide an opportunity for the private sector, whether ASEAN or non-ASEAN, to participate, but the majority ownership should at all times be held by the ASEAN shareholders.¹⁸ The equity structure of an AIP is such that the host country shall have 60 per cent of the total equity, with the balance to be shared by the other member countries. At least one-third of the equity allotted to a member country must be borne by the government of that country, thereby leaving the remaining two-thirds open for possible private sector participation; this means that private interests may hold a maximum of 67 per cent in the equity of an AIP.

Pricing Principles

Selling prices throughout the project life shall be calculated in US dollars. The products of the AIPs shall be sold at world prices between floor and ceiling prices based on minimum and maximum project rates of return, using free-on-board selling prices.¹⁹ The actual selling price shall be determined by

¹⁶In the allocation of the subsequent sets of ASEAN Industrial Projects, the benefits derived from the preceding ASEAN Industrial Projects shall be taken into account with a view to equalising benefits in the long-term.

¹⁷On condition that the basis for the AIP is not affected by the proposed new national projects. However, similar national projects which have already been firmly planned and are already in their early stage of implementation before the allocation of the ASEAN Industrial Projects shall be allowed to proceed as national projects.

¹⁸Each shareholder entity shall be an agency or company which enjoys support and guidance from its respective government of an ASEAN member state and which is nominated by the government to participate in the AIPs.

¹⁹Floor and ceiling prices shall be calculated prior to commencement of commercial operation based on minimum and maximum rates of return on investment calculated by the discounted cash flow internal rate of return on investment (IRROI) method over the economic life of the project; such prices shall be adjusted periodically on account of changes in the cost of production and currency adjustment. The floor and ceiling prices may be reviewed in the event of unexpected and abnormal developments in world conditions or in the event of either exigency; such developments as aforesaid shall include the conditions when the prevailing world market price exceeds the agreed ceiling price by more than 10 per cent or when the prevailing market price goes below the agreed floor price by more than 10 per cent.

the company that is to undertake an AIP, based on the prevailing world market prices generally applicable to the ASEAN region.²⁰

Implementation

As of May 1985, of the five projects only the ASEAN fertiliser project in Indonesia has been in operation: PT ASEAN Aceh Fertiliser was officially inaugurated by the President of Indonesia on 18th January 1984.²¹ ASEAN Bintulu Fertiliser Sdn. Bhd. was in the stage of construction and may have been completed six months behind schedule. The Government of Thailand has decided to liquidate the ASEAN Soda Ash Co., Ltd. and has not proposed new project.²²

The construction of ASEAN Copper Fabrication Project in the Philippines is in the stage of preparation, involving an investment cost of US\$280 million, and the invitation to bid documents was released to approved bidders. The Supplementary Agreement for the ASEAN Hepatitis B Vaccine project for Singapore was approved by the ASEAN Economic Ministers Meeting on 9th May 1984, and the project is still in the preparatory stage.

Country	Share (in per cent)	Capital (in thousand US\$)		
		Authorised	Issued	Paid-up
Indonesia	60	56,340	11,280	1,128
Malaysia	13	12,210	2,440	244
Philippines	13	12,210	2,440	244
Singapore	1	930	180	18
Thailand	13	12,210	2,440	244
Total	100	93,900	18,780	1,878

²⁰Where an identical product is produced by more than one AIP, the floor, ceiling and actual free-on-board (f.o.b.) selling prices of such products once adopted for one project shall apply to the other project or projects.

²¹First export shipment was made in December to Malaysia amounting to 20,000 tonnes (out of an order of 100,000 tonnes), and to Japan amounting to 4,000 tonnes (out of an order of 8,000 tonnes). For the first six months of operation production reached 88 per cent of the installed capacity while projected capacity utilisation was 75 per cent.

²²The feasibility study report was earlier submitted by Kali & Slatz Co. to the ASEAN Soda Ash Co. Ltd. on 3rd November 1983, and there were technical problems in regard to the salt mining.

With regard to the ASEAN urea project in Indonesia, it can be noted that according to the Joint Venture Agreement the total investment for the project was estimated at US\$313 million, funded initially on an equity to loan ratio of approximately 30 to 70. The initial equity structure of the company and the respective share allocation can be seen in the table above. In the first year of operation in 1984, PT ASEAN Aceh Fertiliser already issued dividend amounting to around US\$10 million.

ASEAN INDUSTRIAL COMPLEMENTATION

Similar to the previous one, the ASEAN Industrial Complementation (AIC) scheme is a package deal. There are, however, some differences. *Firstly*, although the private sector can participate as shareholders in an AIP, governments play the major role and took the initiative in identifying the projects; under AIC, the identification of products for inclusion in the package is to originate from the ASEAN-CCI.²³

Secondly, the package in the AIP scheme consists of industrial projects which need not have inter-industry linkages; the AIC consists of projects that make up a package in a certain branch of industry. *Thirdly*, in the AIP scheme all the signatory countries participate while in the AIC scheme four countries (or it could be less) are involved; accordingly, while in the former case each signatory country shall have at least one project, in the latter any one country may choose to have none. *Finally*, there is no issue of equitable allocation in the AIP scheme but under AIC it may arise.²⁴

Coverage

An AIC product is an industrial product manufactured or to be manufactured in a member country; the product is allocated to that particular country as its participation in an AIC package, where the latter consists of organised complementary trade exchanges of specified processed or manufactured products. The ASEAN-CCI identifies products for inclusion in any AIC package. The product should be of internationally accepted quality and relatively competitive in price while continuity of supply should be assured.

²³The AIC scheme is intended to be primarily private sector undertakings, enjoying the support of governments through the identification of opportunities, programme formulation, design of projects, and agreement on measures to ensure the success of these schemes. Its realisation is made through the availing of tariff and/or non-tariff preferences to AIC products.

²⁴Article 3 of the Agreement stipulates that the AIC products in a package must, whenever feasible, be equitably allocated to the participating countries.

Existing and New Product

An existing product is one that is already being manufactured in ASEAN at the time it is under consideration for possible allocation. Any product not covered by the definition of existing product is considered new. The products in an AIC package qualifies for preferences in accordance with the Agreement on ASEAN PTA.²⁵

An existing product in an AIC package enjoys exclusivity privileges for a period of two years from the date of AEM final approval of such package. A new product on the other hand enjoys exclusivity privileges for a period of three years starting from, whichever comes first, the actual date of start-up or from the target date of start-up agreed by the AEM; in exceptional cases the period can be extended by another year.

Exclusivity

During the period of exclusivity, special preferences outside the PTA can be granted, such as mandatory sourcing and recognition of local content, to be applicable only to specific countries. The meaning of exclusivity is as follows.

For Country Allocated A Product. How the country organises its production facilities is entirely at its discretion.

For Other Participating Countries. These countries cannot set up new production facilities or expand new ones to make the same product as that already allocated to the other participating country, except when 75 per cent of its production is for export outside the ASEAN region. Nevertheless these countries are allowed to proceed with the implementation of firmly planned projects to produce the product in question.²⁶

²⁵The ninth meeting of the AEM agreed upon the following three principles. *First*, AIC should be organised on a products basis allocated to specific member countries for a limited period of two years in the case of ongoing projects or four years from the date of approval in the case of new projects. *Secondly*, any preferences granted within the framework of the ASEAN PTA for any product by a particular country will be extended on an ASEAN most favoured-nation basis to similar products produced in other ASEAN member countries in accordance with the basic principles of the ASEAN PTA. *Third*, member countries may grant additional preferences, such as recognition of local content on a country basis and mandatory sourcing; such additional preferences should be negotiated separately between the countries concerned.

²⁶A firmly planned project refers to that which has already obtained written government approval, or has already opened letters of credit for the importation of machinery and equipment, or has already commissioned the fabrication of such machinery and equipment.

Institutional Arrangement

The Committee on Industry, Minerals and Energy (COIME) evaluates the proposals for AIC packages, and recommends to the AEM the allocation of products in the package to participating countries. After AEM approval of the allocation, the participating countries are to negotiate preferences within the PTA scheme as well as other special preferences within a negotiating period (a maximum of six months for existing, and one year for new products).²⁷ Upon successful completion of the negotiation COIME will then recommend to AEM the final approval of the package with any necessary modification, including arrangements for trade preferences.

Implementation

The AIC scheme, meant to be undertaken by the private sector, presents an opportunity for foreign investment with equity capital up to 49 per cent. Thus far it appears to have attracted interest in the motor vehicles industry. There have been proposals from manufactures of cars and motorcycles on brand-to-brand complementation in the automotive industry.

The first meeting of ASEAN Economic Ministers on Industry agreed to the recommendation of COIME to recommend for AEM approval the following products as the first package for automotive complementation:

Indonesia	- diesel engines (80-135 HP)
Malaysia	- Spokes, nipples, drive chains for motorcycles, and timing chains for motor vehicles
Philippines	- Ford body panels of passenger cars
Singapore	- universal joints
Thailand	- body panels for motor vehicles of one tonne and above

together with existing products to be selected and agreed upon from the indicative offer list²⁸ of components in order to arrive at a more practical, realis-

²⁷During the negotiating period obligations in regard to exclusivity apply.

²⁸The offering countries and the indicative list of products are as follows, *Indonesia*: motorcycle axles, headlights for motorcycle, wheel rims for motorcycle, spark plugs; *Malaysia*: road wheels, (5 tonnes and above), crown wheel pinion for commercial vehicles, seat belts; *the Philippines*: automotive spring (leaf), front and rear axles and components, automotive gauges, signal light; *Singapore*: fuel injection pumps, carburator (automotive), brake system, diesel engines for trucks; *Thailand*: brake drums for trucks, trunnion bracket for trucks, motorcycle frames, heavy duty shock absorbers, trunnion shaft; *Indonesia* and *Malaysia*: piston assembly (piston, rings, liners); *Malaysia* and *the Philippines*: automotive spring (coil); *the Philippines* and *Singapore*: automotive transmission (gearbox).

tic, and balanced implementation of the first package. The meeting also agreed on the nomination of new products to be considered in the second package:

Indonesia	- steering systems
Malaysia	- headlights for motor vehicles
The Philippines	- heavy duty rear axles for commercial vehicles
Singapore	- fuel injection pumps
Thailand	- carburetors.

Subsequently the AEM approved the first and second packages of automotive component manufacturing under the ASEAN AIC scheme.²⁹

Prior to the first meeting of AEM on Industry (29-30 September 1980), the third meeting on the ASEAN Experts Group on Automotive Industry was convened (22-23 September 1980). In regard to the mechanism for conducting negotiation for preferences, this third meeting recommended to COIME the following: in regard to the original equipment for manufacturer, the mechanism for conducting bilateral/multilateral negotiation for granting additional preferences, such local content treatment and mandatory sourcing, took the form of an Automotive Preferences Negotiating Group (APNG); for the replacement equipment for manufacturer, negotiations for trade preferences should be done in the TPNG of the COTT. The twelfth meeting of COIME (25-29 September 1980) agreed to recommend to AEM for the creation of an APNG, and that the empowered to negotiate directly for tariff and other special preferences as a package. Consultations over trade preferences began in January 1981 at the eighth meeting of the TPNG of the COTT.

ASEAN INDUSTRIAL JOINT VENTURE

The third and newest scheme for ASEAN industrial co-operation is the ASEAN Industrial Joint Venture (AIJV). Similar to the AIC, the establishment of the AIJV scheme was initiated primarily as a private sector endeavour based on the shared belief that the private sector plays an important role in the development of the region. Certain differences, however, may be discerned.

First, the AIC scheme has been established in pursuit of industrial complementation, to be achieved through organised complementary trade exchanges; the AIJV scheme, on the other hand, has been instituted for sup-

²⁹The first package has been considered as a long-term continuing project, and the second, while approved, has not yet been implemented.

porting meaningful industrial joint ventures by way of the consolidation of markets among ASEAN countries.³⁰ *Secondly*, in the former there should be at least four participating countries in an AIC package; in the latter a minimum of two ASEAN countries can participate. *Third*, in one it refers to products in an AIC package while the AIJV scheme refers to products as well as entity. *Fourth*, under both schemes non-ASEAN interests may hold 49 per cent of equity, but in the AIJV there is the flexibility of providing for a higher share if certain conditions are met.

Coverage

An AIJV is any entity which produces an AIJV product and has equity participation from nationals of at least two participating countries.³¹ An AIJV product is any processed or manufactured product which is included in the final list of AIJV products approved by the AEM.³² An AIJV product may be existing product (one which is being processed or manufactured in any of the participating countries at the time of its inclusion in the final list), or a new product (any one not covered by the definition of an existing product).³³

A participating country in an AIJV scheme is an ASEAN member country which has indicated its intention to participate by way of providing tariff preference to a particular AIJV product that is in the final list approved by the AEM, where the list carries with it the pre-commitment to extend a minimum 50 per cent margin of tariff preference. The investors in an AIJV are free to locate their projects in any of the participating countries.

An ASEAN member country which has not indicated its intention to participate by way of providing tariff preference to a particular AIJV product is a non-participating country with respect to that particular product. Non-participating countries in an AIJV waive tariff preferences.

³⁰The adoption of the AIJV carries with it the pre-commitment to extend a minimum 50 per cent margin of tariff preference to AIJV products by participating countries.

³¹A minimum ASEAN equity ownership of 51 per cent is required, but this requirement does not apply in any of the following cases where: the concerned participating countries agree to higher equity participation by non-ASEAN; more than 50 per cent of production will be exported to non-ASEAN markets; the product is already being produced by an entity in a participating country prior to its inclusion in the final list; or an entity has already been approved by a participating country to produce the product prior to its inclusion in the final list.

³²The final list approved by the AEM is made available to the ASEAN-CCI and National Chambers of Commerce and Industry in ASEAN member countries.

³³Existing products also include products that have been produced, at one time or another, in any participating country by production facilities which are still in existence but may have temporarily ceased operations.

Privileges

New AIJV Products

Participating Countries. All participating countries extend the minimum margin of tariff preference within ninety days of the commercial production of the AIJV product for which an application for production has been approved by any participating country and due notification has been given to COIME. The tariff preference applies only to AIJVs in participating countries during the initial four year period.³⁴

Exclusivity privileges will be granted by the participating countries if there is only one approved project for a new AIJV product; these privileges will continue for a period of three years.³⁵ Exclusivity privileges mean that during the exclusivity period of three years the participating countries cannot set up new production facilities for the same product other than the approved project, unless 75 per cent of its production is for exports to non-ASEAN countries.

Non-participating Countries. These countries waive their right under ASEAN PTA for the four year period, and need not extend a margin of preference on AIJV products. Non-participating countries may become participating countries at any time.

Existing AIJV Products

The participating countries extend the same minimum margin of tariff preferences to an existing AIJV product within ninety days from the date the AEM approves the inclusion of that product in the final list. These preferences also apply during the initial four year period, commencing from the actual date of implementation of tariff preferences. After the four year waiver period, any entity in any member country which produces that AIJV product, irrespective of whether it qualifies as an AIJV or not, enjoy the margin of tariff preferences in the participating countries.

³⁴The four year period commences from the actual date of commercial production, or upon expiry of thirty months from the date the AEM approved the inclusion of that product in the final list, whichever is earlier.

³⁵The date of commencement is the same as that which applies to tariff preferences. Exclusivity shall not be granted in the event there is more than one approved project for a new AIJV product, and in the case of existing AIJV products.

List of Products

At AEM meeting on 9th May 1984 the following list of products was approved:

- Constant Velocity Joints (Fixed and Plunging Types) and/or finished, semi-finished parts and sub-assemblies thereof;
- Mechanical and Power Rack and Pinion Steerings including Tierods, Ball Joint and Linkages and sub-assemblies thereof;
- Frit; and
- Motorcycle Electrical Parts (Composed of Main Switch Assy, Speedometer Assy, Tachometer Assy, Pilot Lamp Assy, Stop Switch, Head Light Assy, Flasher Relay Assy, Fuel Gauge Assy, Ignition Coil Assy, Rectifier Regulator Assy, Rectifier Assy, Condenser Discharge Ignition Unit, Lever Holder Assy, Switch Handle Assy).

CONCLUDING REMARK

As it has been emphasised repeatedly, ASEAN does neither have as its objective the economic integration of the member countries, nor does it choose the latter, in whatever variation it takes, as the form of economic co-operation to adopt. In other earlier regional groupings among the developing countries, industrial co-operation is assumed to have occurred as the result of economic integration: it has been assumed, thereby eliminating all relevant considerations by assumptions, that production integration, which manifests itself in industrial co-operation, will naturally and automatically take place and develop to the benefits of all if given either the framework or the objective of economic integration. In this essential respect ASEAN seems to have been distinct from these other regional groupings.

In ASEAN nothing seems to have been taken for granted. Industrial co-operation is a special case of economic co-operation; while in ASEAN the former is to develop within the framework of the latter, the latter in turn does not seem to have been clearly defined, either in its form or its objective. In a way this may have produced a somewhat hazy and vague notion of economic co-operation. In another way this may have given a great advantage, for it provides considerable flexibility and avoids rigidity, which may have suited well with ASEAN preference for adopting a cautious, gradual, and step-by-step approach. Economic co-operation seems to have become an idea to pursue, nurture, and develop, to be approached pragmatically as warranted by the progress that could be achieved. The *Declaration of ASEAN Concord* adopted a programme of action as a framework for economic co-operation, not the other way around, i.e. defining economic co-operation as a framework for a programme of action.

In the beginning there may have been two forces at work for effecting the concrete expression of economic co-operation. On the one hand are those pushing towards the adoption of market integration through general trade liberalisation. On the other are those favouring joint production endeavours, without requiring the support of general market integration but through the integration of specific markets. ASEAN neither fully embraced nor fully rejected either one, but accommodated to both; in the process ASEAN has avoided and bypassed the usually thorny and intractable problems in regard to the costs and burdens of co-operation endeavours, nurturing consensus and not getting bogged down in confrontation of national interests which in others had in fact fueled the forces of disintegration.

Thus ASEAN recognised the merit of market integration but it did not go all-out toward general trade liberalisation; rather, it adopted selective integration of markets through preferential trading arrangements. While recognising the merit of production integration, ASEAN did not go all the way towards devising a comprehensive planning for regional industries; rather, it started and tried first with the identification of a package of industrial projects, whose implementation is made contingent on their respective economic feasibility but without each having to be made to depend on the other. Selective production integration makes way for the development of joint endeavours or joint ventures as well as inter-industry linkages and complementarities; these in turn are supported by selective integration of markets through preferential trading arrangements. The role of governments in undertaking industrial co-operation has been recognised as important, but the private sector is given all the opportunities to participate.

In the process there developed certain mechanisms and structures for putting into effect industrial co-operation, being formalised and institutionalised in the form of agreement as well as basic agreements and supplementary agreements. During the deliberations of these various agreements, certain factors become evident. *Firstly*, the political will for effecting industrial co-operation has without question been there; for its realisation, there emerged naturally certain painstaking and complicated technical-economic problems and issues which had to be sorted out, including project scope and feasibility, pricing policy, yardsticks to be applied, etc. *Secondly*, the availability of financing does not guarantee success, and in any case it does not appear to have constituted a major constraint. *Thirdly*, in addition to different stages of economic and industrial development, there exist different legal systems and practices, different economic policies, different investment incentives, etc. *Fourthly*, and perhaps more importantly, all the member countries have continued to strive towards solving the problems and issues through consensus regardless of the differences that exist; in fact, the Agreement on ASEAN

Preferential Trading Arrangement, and the Basic as well as Supplementary Agreements on ASEAN Industrial Projects, ASEAN Industrial Complementation, and ASEAN Industrial Joint Ventures may all be considered as a manifestation of the attempt at developing a common and harmonised framework for realising industrial co-operation.

In terms of the numbers of industrial projects which have been implemented or are in the pipeline as a result of the attempt at developing industrial co-operation, it may not have been too impressive yet. But it is still subject to question whether the numbers game is all that important. For, even if the numbers are to be considered too few by any yardsticks, they may have in fact reflected certain basic structural and fundamental problems, rather than the result of the framework of industrial co-operation being adopted. If this were indeed the case, then these problems would have to be examined and analysed on their own rights first, and not to be assumed away, before substituting the present framework for any other forms of industrial co-operation. In considering any other alternative, the first section of this paper attempts to indicate that the theory of economic integration, as it is to be applied to developing countries, is largely unconvincing, and that the attempts at transplanting the theory as well as the theoretical elements to the developing countries had in fact produced undesirable results.

Indonesia-China Trade Relations and the Role of Hong Kong

Hadi SOESASTRO

INTRODUCTIONS

With the issuance of Presidential Instruction (*Inpres*) No. 9/1985 on 23rd July 1985, the Government of Indonesia (GOI) officially endorsed the resumption of direct trade between Indonesia and China which was negotiated by the Indonesian Chamber of Commerce and Industry (KADIN) and the China Council for the Promotion of International Trade (CCPIT).

From the beginning, the GOI has stressed on the unofficial nature of the process of negotiations, which on the Indonesian side was carried out by a non-governmental body, KADIN. The signing of the Memorandum of Understanding (MOU) between KADIN and CCPIT took place on 5th July 1985 in a third country, Singapore, and the words Republic of Indonesia and People's Republic of China (PRC) were absent from the text of the MOU. Both provisions were meant to amplify the unofficial nature of the agreement.

The Chinese side appeared to have been somewhat confused by Indonesia's unofficial approach. The signing of the MOU would have been further delayed had the Chinese side continued to insist on its counterpart, KADIN, to produce a written mandate from the GOI.

Despite its unofficial nature, the MOU can be regarded as a break-through. KADIN started to explore the possibility of reopening direct trade as was conducted in 1977, involving visits by KADIN representatives to the Canton Fair and subsequently also to Beijing in 1978. At that time initiative failed to receive official support at home, partly due to strong objections from the House of

Representatives but most likely because the government did not see any urgency to resuming direct trade with China. KADIN's renewed efforts in 1984 found more favourable responses from the GOI, largely in connection with the decision of the Government in 1982 to diversify markets for Indonesia's exports, including the development of new markets in Socialist Countries. Furthermore, public opinion no longer resented those efforts. In fact, the support of the GOI should not have gone unnoticed by the Chinese, especially with regard to the appointment of the Junior Minister/Cabinet Secretary by the President to co-ordinate the steps to be taken towards the resumption of direct trade relations. However, the deliberately unofficial, rather cautious approach was meant to affirm Indonesia's official stance, namely that the resumption of direct trade ties should not be interpreted as a concrete step towards a restoration of full diplomatic relations.¹

The MOU stipulates six provisions to serve as a guideline for direct trade transactions, which are necessitated in part because the two countries have no diplomatic relations. The provisions relate to: (1) transaction payments; (2) procedures for visa application; (3) berthing rights of vessels flying the respective national flags; (4) communication services; (5) exchange of trade missions; and, (6) the approval by the respective governments and the termination of the MOU.

The execution of direct trade by the Indonesian side, as laid down by the issuance of Inpres (Presidential Instruction) No. 9/1985, is based on the MOU provisions. The Inpres stipulates, *inter alia*, the following basic guidelines:

- a. Direct trade relations between Indonesia and China will be realised on the basis of the general policies on trade and commerce as laid down by the GOI (this implies that no special treatment is given to China);
- b. In principle all commodities of trade can be exported to China, by observing the provisions issued by the GOI or international agencies concerned with the aforementioned commodities; similarly, all goods from the PRC can be imported by observing the government policies concerning the protection of domestic industries;
- c. In principle all exporters and importers can realise direct transaction of trade with China; exporters and importers are requested to establish co-ordination and co-operation in the best possible manner, in order to draw maximum benefit;
- d. Transaction payments will be done through the procedure of opening a L/C (letter of credit) or other normal procedures of trade with cash pay-

¹ *Jakarta Post*, 6th July 1985.

- ments; the instrument of payment used for transaction will be convertible currencies;
- e. The granting of visas to Chinese traders wishing to enter Indonesia will be done by the representative office of the Republic of Indonesia in Hong Kong or Singapore; visas can be considered for Chinese traders wishing to visit Indonesia at the invitation of KADIN, trading associations, state enterprises or individuals; crew members of PRC flag carriers berthing at Indonesian ports will be allowed to disembark within the working areas of the ports concerned;
 - f. The transportations of goods traded between Indonesia and China can make use of Indonesian flag carriers, Chinese flag carriers or other flag carriers; Indonesian ports that are open to Chinese flag carriers within the framework of Sino-Indonesian direct trade are:
 1. ports for foreign trade activities based on the effective provisions namely: Belawan, Tanjung Priok, Tanjung Perak and Ujungpandang;²
 2. other ports to be further determined especially in areas that produce export commodities in large quantities;
 - g. In order to smoothen direct trade relations between Indonesia and China communication services are provided, covering telephone, telex and postal services.

The approval by the GOI and the above guidelines were transmitted to the Chinese side on 29th July 1985 by the KADIN trade delegation that paid a visit to China to mark the re-opening of direct trade relations. Thus, Sino-Indonesian direct trade officially resumed on that day which also put an end to the necessity to conduct trade through a third country as practised throughout the 18 years following the severance of diplomatic relations in October 1967.

It is perhaps premature at this stage to assess the results of the reopening of direct trade in terms of the "trade creation" effects. The initial increases in trade may largely come as a result of shifts in the mode of transaction, from indirect to direct trade. In fact, on the part of Indonesia, direct trade is aimed at not only increases in the level of trade but also in the reduction of the role of intermediaries.

Potentials for increased two-way trade have been identified largely on the basis of commodities already being exchanged; the potentials are believed to be quite large. China's modernisation and Indonesia's further industrialisation definitely open up new opportunities for trade. The recent purchase of Indonesia's crude petroleum by China has never been imagined before, and might

²The MOU of 5 July 1985 stipulates that on the Chinese side facilities will be provided at the ports of Dalian, Tianjin, Shanghai, Huangpu, and other ports as deemed necessary.

provide a good illustration of such a development.³ It also suggests that what traditionally is seen as an area of competition may turn into an area for co-operation. This latter aspect has not been studied sufficiently.

The development of trade infrastructure and mechanism greatly influences the ability of the parties concerned to exploit the existing and emerging potentials for trade between them. Indeed, a main challenge to the execution of direct trade between Indonesia and China today is its ability to function well in the absence of diplomatic relations. Reference to the relatively smooth trade relations between Singapore and the PRC as a model may not be entirely appropriate in view of the different nature of their overall bilateral relations -- compared to Indonesia-PRC relations -- and the very developed trade infrastructure of Singapore.

An equally important subject for examination is the role of third countries or intermediaries -- such as Hong Kong -- in the development of trade between Indonesia and China. Intermediation by third countries may result from a variety of reasons, including underdevelopment of the trade infrastructure in the respective countries.

This essay begins with an examination of the pattern of trade between Indonesia and China since the early 1950s, specifically since the signing of the 1953 Trade Agreement. It also discusses the main issues for policy which emerged during the period of interests. This discussion is followed by an investigation of Hong Kong's role in the Sino-Indonesian trade against the broader background of Hong Kong's re-exports to the world. The last section of this essay discusses the future prospects of and the problems which have emerged in developing direct trade between Indonesia and China.

SINO-INDONESIAN TRADE RELATIONS: PATTERNS AND ISSUES

There are two distinct periods in the development of Sino-Indonesian trade. The first period began with the signing of the 1953 Trade Agreement and ended with the suspension of formal relations between Indonesia and China in 1967. The second period was marked by indirect trade relations which lasted for about 18 years until the resumption of direct trade relations in July 1985.

³The purchase, which took place in March 1986, was seen as a "trial" purchase with an amount of 1.5 million barrels of crude valued at US\$10.40 per barrel; see *Kompas*, 30th April 1986.

Table 1

INDONESIA'S RECORDED TRADE WITH CHINA, 1953-1985

Year	Exports		Imports	
	value, f.o.b. (m US\$)	per cent of total exports	value c.i.f. (m US\$)	per cent of total imports
1953	*	*	2.1	*
1954	2.8	*	3.5	*
1955	6.5	0.7	10.1	1.0
1956	11.7	1.3	30.2	3.7
1957	25.2	2.6	27.0	3.2
1958	43.4	5.5	41.8	8.7
1959	53.1	5.7	61.2	15.4
1960	35.4	4.2	57.0	9.9
1961	36.4	4.6	39.9	5.0
1962	34.6	5.1	34.9	5.4
1963	42.2	6.0	44.3	8.5
1964	52.2	7.2	60.9	9.0
1965	40.0	5.7	98.8	14.2
1966	9.5	1.4	40.7	7.7
1967	0.7	*	54.2	8.3
1968	*	*	38.4	5.4
1969	*	*	43.0	5.5
1970	—	—	32.8	3.3
1971	—	—	27.6	2.5
1972	—	—	39.0	2.5
1973	—	—	48.8	1.8
1974	—	—	113.9	3.0
1975	—	—	203.5	4.3
1976	—	—	131.8	2.3
1977	—	—	153.5	2.5
1978	—	—	112.2	1.7
1979	—	—	131.8	1.8
1980	—	—	197.3	1.8
1981	8.3	*	253.5	1.9
1982	14.2	*	230.9	1.4
1983	27.0	*	204.0	1.2
1984	7.7	*	224.4	1.6
1985	84.2	0.5	248.4	2.4

*Insignificant (less than US\$0.5 million, or less than 0.5 per cent).

Source: 1. 1953-1962 Sino-Indonesian trade figures have been compiled by John Wong from UN and IMF statistics; see, *The Political Economy...* (Table 2.1); Indonesian total trade figures are taken from K.D. Thomas and J. Panglaykim, "Indonesian Exports: Performance and Prospects 1950-1970, Part I" in *Bulletin of Indonesian Economic Studies*, No. 5 (October 1966).

2. 1963-1985 figures are based on statistics of the Indonesian Central Bureau of Statistics (BPS), various publications.

An excellent review of Indonesia-China trade during the first period can be found in John Wong's study.⁴ A number of interesting features have been identified. The first feature was the close interaction between trade transactions and political relations. Indeed, the rise of Sino-Indonesian trade between 1955 and 1959, followed by a decline in 1960 and a recovery in 1964, very well reflected the development of political relations between the two countries. However, Wong also suggested the influence of China's economic development on the Sino-Indonesian trade. The increase in bilateral trade during the second half of the 1950s might have been stimulated by China's overall trade drive to Southeast Asia. Similarly, the decline in 1960 might have been caused by China's domestic economic setback.

As shown by Indonesian trade statistics (Table 1), Indonesia's exports to China have increased from less than US\$3 million in 1954 to about US\$53 million in 1959, or from an insignificant fraction of the total exports in 1954 to close to 6 per cent in 1959. Likewise, imports from China went up from almost nothing, when the 1953 Trade Agreement was signed, to over 15 per cent of Indonesia's total imports in 1959. Both exports to and imports from China have declined in 1960, and with the recovery in 1964 they have regained the levels of 1959 for only a brief period before declining again in 1966.

Table 2 reveals China's recorded statistics with Indonesia. It shows essentially the same developments for the period 1953-1967. Imports rose from about US\$5 million in 1954 to US\$60 million in 1959. In terms of total imports, the rise was less dramatic than that experienced by Indonesia. In China's case it went up from 0.4 per cent in 1954 to only about 3 per cent in 1959. China's exports to Indonesia as a percentage of its total exports also increased from 0.3 per cent in 1954 to 3.1 per cent in 1959.

China's import from Indonesia reached its height in 1964 to about 4.2 per cent of its total imports; at this peak, the share of the Chinese market for Indonesia's exports was 7.2 per cent. Indonesia's import from China peaked in 1965 to around 14.2 per cent of its total imports, and this peak was for China about 3.2 per cent of its total exports. Thus, Indonesia's external trade was more exposed to the Chinese market than *vice versa*.

The second feature was that bilateral trade during the period 1953-1965 achieved a more or less overall balance. This was not the case with China's trade with other Southeast Asian countries. As pointed out by Wong, Sino-Indonesian balanced trade resulted from the fact that trade between those two countries was largely conducted on a government-to-government basis and, in

⁴John Wong, *The Political Economy of China's Changing Relations with Southeast Asia* (London: Macmillan Press, 1984).

Table 2

CHINA'S RECORDED TRADE WITH INDONESIA, 1953-1985

Year	Exports		Imports	
	value (m US\$)	per cent of total exports	value (m US\$)	per cent of total imports
1953	*	*	—	—
1954	2.8	0.3	4.6	0.4
1955	9.0	0.7	13.3	0.8
1956	29.3	1.8	26.0	1.8
1957	21.2	1.3	27.6	1.9
1958	52.4	2.7	38.8	2.1
1959	69.1	3.1	60.0	2.9
1960	34.3	1.8	39.7	2.0
1961	46.8	3.1	36.7	2.5
1962	29.0	1.9	39.8	3.5
1963	48.9	3.1	42.6	3.6
1964	47.2	2.7	62.4	4.2
1965	65.1	3.2	43.8	2.4
1966	*	*	16.4	0.8
1967	—	—	—	—
1968	—	—	—	—
1969	—	—	—	—
1970	—	—	—	—
1971	—	—	—	—
1972	—	—	—	—
1973	—	—	—	—
1974	—	—	—	—
1975	—	—	—	—
1976	—	—	—	—
1977	*	*	*	*
1978	*	*	*	*
1979	*	*	—	—
1980	21.0	0.1	14.0	0.1
1981	54.0	0.3	63.0	0.3
1982	46.0	0.2	151.0	0.8
1983	49.0	0.2	150.0	0.7
1984	70.0	0.3	214.0	0.8
1985 ^a	71.9	0.4	207.9	0.8

*Insignificant (less than US\$0.5 million, or less than 0.1 per cent).

^aJanuary-August.

Source: 1. 1953-1980 Sino-Indonesian trade figures are taken from *The Almanac of China's Foreign Economic Relations and Trade*, 1984; China's total trade figures (1953-1966) are taken from estimates reproduced in A. Doak Barnett, *China's Economy in Global Perspective* (Washington, D.C.: The Brookings Institution, 1981), Table 2-1.

2. 1981-1985 figures are taken from IMF, *Direction of Trade Statistics*, various issues.

accordance with Article III of the 1953 Trade Agreement, both sides agreed to maintain the trade in balance as a matter of principle.

Chinese statistics (Table 2) showed that in cumulative terms its bilateral trade with Indonesia was in balance, with exports and imports amounting to US\$455 million and US\$435 million, respectively, during the period 1954-1965. Indonesia's recorded trade with China showed some cumulative imbalance in China's favour, namely with imports amounting to US\$510 million and exports of US\$384 million, over the same period. However, no serious complaints from the Indonesian side has been recorded. To the contrary, even the practice of dumping by the Chinese, which led to the adoption of counter measures in other Southeast Asian countries, was regarded as mutually beneficial by the GOI.⁵

The maintenance of a balanced trade, however, was not without costs -- at least to the Indonesian side. As recollected by a former Indonesian Minister, the trade balance was artificially maintained through countertrade or barter arrangements, often to Indonesia's detriment. The example cited was a deal made in August 1965 to barter 90,000 tonnes of Indonesian RRS-1 rubber with fertilisers and rice from China. The deal was not implemented because the Indonesian side detected that the rubber was to be re-exported -- and hence, would compete with Indonesia's direct exports -- and that the fertiliser was from Italy, which Indonesia already imported directly.⁶

The third feature was the relatively simple commodity composition of trade. During the period 1954-1967 Indonesia's imports from China consisted mainly of textile goods and rice, the latter item fluctuated greatly with Indonesia's total rice imports, although China was not the main supplier then. In 1959, textile goods (cotton weaving yarns and cotton fabrics) and rice constituted 25 per cent and 38 per cent, respectively, of Indonesia's total imports from China; in 1965, their shares were 51 per cent and 21 per cent. The commodity composition of Indonesia's export to China was equally very simple, and consisted almost entirely of rubber.

It was not surprising to expect that in order that the two countries keep an increasing and balanced trade, they had to resort to barter and counter trade deals. This was due to the fact that China's absorptive capacity for raw materials from Southeast Asia was limited and Indonesia could offer only a limited selection of export commodities. The experience of the 1954-1967 period showed that increases in the level of trade between the two countries were sustainable through a political will on both sides.

⁵*Ibid.*

⁶The story was told by the former Minister of Plantation, Frans Seda, to *Sinar Harapan*, 1st August 1985.

Sino-Indonesian trade immediately dropped after 1965. Since then, some trade, namely concerning commodities that continued to make economic sense, was handled by third countries as indirect trade. The shift in the mode of transaction may also have caused a reduction in the level of trade, but its effect may not be large.

The period since 1967 was interesting because trade between the two countries was conducted in an indirect manner. As a consequence, no complete picture of the entire transactions was available. The incomplete statistics had rather disturbing implications in terms of the perceptions in Indonesia regarding its bilateral trade with China. Trade imbalances, which were not an issue in the preceding period, gained considerable attention from both the general public and the policy makers. This issue will be discussed later.

Indonesia's imports from China, coming mostly through Hong Kong, were relatively well recorded, in part because Hong Kong fully recorded its re-export trade. Some imports from China, in particular chemicals and raw materials for pharmaceutical industries, were also coming through Western Europe. China had no records of its indirect exports to Indonesia. It equally had incomplete accounts of its imports from Indonesia, except for the last 2 or 3 years. Likewise, Indonesia had far from complete records of its indirect exports to China.

Table 3 suggests that Indonesia's exports to China were continued mainly through Singapore rather than Hong Kong. Re-exports by Singapore from Indonesia to China were believed to constitute mainly rubber, but no tangible information was available. In addition to Singapore and, to a much lesser extent, Hong Kong, it was reported that some Indonesian exports to China were traded through Bangkok.⁷

Indonesia's import from China declined from its peak of 14.2 per cent of its total imports in 1965 to 5.5 per cent in 1969, and further to 1.8 per cent in 1973. In 1974 imports from China rose to 3 per cent of total imports, mainly due to large increases in Indonesia's rice imports. In 1975, about 75 per cent of Indonesia's imports from China consisted of rice. By 1979 a new pattern emerged in Indonesia's imports from China: it no longer was dominated by rice and textiles.

The commodity composition of Indonesia's imports from China from 1980 to 1984 is shown in Table 4. Further changes in its structure have taken place

⁷Statement made by the Indonesian Minister of Trade, Rachmat Saleh; see *Kompas*, 6th May 1985.

even in that brief period. In the first half of that period about 30 per cent of total imports consisted of manufactured goods. This share was reduced to 18 per cent in 1984. Instead, crude materials -- mainly oil seeds and cotton fibre (Table 5) -- became the most important import items; its share rose to about 30 per cent of the total imports from China in 1984 from only 6 per cent in 1980. Three other commodity groups, namely (a) food and live animals (mainly feeding stuff for animals and preserved vegetables); (b) chemicals; and, (c) transport equipment, had a combined share of 45 per cent in 1984.

Table 3

INDONESIA'S EXPORTS TO CHINA, SINGAPORE AND HONG KONG 1964-1969
(millions of US Dollars)

	China	Singapore	Hong Kong
1964	52.2	2.8	6.8
1965	40.0	5.6	8.8
1966	9.5	18.0	13.8
1967	0.7	65.7	12.9
1968	*	118.3	10.3
1969	*	147.1	7.3

*Negligible.

Source: BPS.

Table 4

INDONESIAN IMPORTS FROM CHINA BY COMMODITY GROUPS, 1980-1984
(Percentages)

SITC Commodity Groups	1980	1981	1982	1983	1984
0 Food and Live Animals	16.5	22.3	9.4	10.7	16.6
1 Beverages and Tobacco	1.5	0.9	1.4	1.3	1.2
2 Crude Materials, Inedible	6.2	5.2	14.6	18.9	29.8
3 Mineral Fuels, Lubricants, etc.	1.3	1.6	2.6	2.9	1.5
4 Animal & Vegetable Oils & Fats	0.2	0.2	0.2	0.2	0.1
5 Chemicals	20.5	18.2	17.1	21.4	15.7
6 Manufactured Goods	31.0	32.5	29.8	26.1	18.3
7 Machinery & Transport Equipment	16.3	13.2	15.3	14.0	13.0
8 Misc. Manufactured Articles	6.4	5.8	10.1	5.3	3.8
9 Commodities & Transactions NES	—	—	*	—	—
Total	100.0	100.0	100.0	100.0	100.0

*Negligible.

Source: BPS, *Indonesia Foreign Trade Statistics -- Imports*, various issues.

Table 5

PRINCIPAL INDONESIAN IMPORTS FROM CHINA,^a 1984
(Percentages)

SITC	Commodity	%
222	Oil seeds use for extraction of soft fixed vegetable oils	16.8
263	Cotton	9.8
081	Feeding stuff for animals	8.5
651	Textile yarn	4.0
785	Motorcycles, motor scooters, and other cycles	3.9
056	Vegetables, roots and tubers, prepared or preserved n.e.s.	3.7
695	Tools for use in the hand or in machines	3.3
699	Manufactured or base metal n.e.s.	2.9
523	Other inorganic chemicals; organic and inorganic compounds	2.4
	Subtotal	55.2
	Other	44.8
	Jumlah	100.0

^aAbove US\$5 million.

Source: Same as Table 4.

Table 6

PRINCIPAL CHINESE IMPORTS FROM INDONESIA, 1984
(Percentages)

Commodity	% ^a
Plywood	60
Rubber	25
Coffee	4
Subtotal	89
Other, consisting of:	11
- Palm oil	—
- Logs	—
- Fertilisers	—
- Spices and herbs	—
Total	100

^aRough estimates.

Source: Chinese custom's figures as cited in *Jakarta Post*, 30th July 1985.

The shares of major Indonesian imports from China in 1984 at the three-digit commodity level are shown in Table 5. The 9 principal items had a combined share of about 55 per cent of total imports, suggesting that the structure of Indonesia's imports from China has become more diversified in terms of its commodity composition. This has not happened with China's imports from Indonesia. Estimates for 1984 suggested the dominance of three commodities, plywood, rubber, and coffee, which together accounted for about 90 per cent of China's imports from Indonesia (Table 6). This asymmetrical development was thought to result from the absence of direct trade relations which penalised Indonesia in terms of its ability to market its non-traditional export commodities to China.

Trade imbalances, which became an issue during this period, were seen also as a consequence of the absence of direct trade. In fact, both sides recorded trade imbalances in favour of the other side. This was not surprising since it was easier for both sides to identify the origin of their indirect import trade than to detect the destinations of their indirect export trade. Since 1981 some Indonesian exports to China were recorded; they almost exclusively consisted of coffee, which must be fully recorded in terms of destination (quota vs non-quota countries) under the International Coffee Agreement.

Table 7 is an attempt to reconstruct Indonesia's trade with China from 1980 to 1985. On the import side, three records (lines 1 to 3) are compared; they consist of: (a) Indonesia's recorded imports from China; (b) reported re-exports by Hong Kong from China to Indonesia; and, (c) China's recorded exports to Indonesia. The first and second sets of figures were close to each other, but exhibited an increasing divergence since 1984, with the latter becoming lower than the former. This might suggest that imports through third countries other than Hong Kong, or indeed from China "directly" -- even before the resumption of direct trade -- might have increased. In fact, China's recorded exports to Indonesia showed a slight jump in 1984. The improved atmosphere in Sino-Indonesian relations since 1984 might have facilitated some "direct" trade transactions.

The records on the export side are very deficient. Re-exports by Hong Kong from Indonesia to China have never been very significant, amounting to around US\$40 million in the early 1980s. In later years, Chinese imports of plywood mainly came through Hong Kong. However, since 1983 re-exports by Hong Kong from Indonesia to China were no longer published as a separate item, suggesting a declining importance from either Hong Kong's or China's point of view. China's records on imports from Indonesia seemed to have improved in later years. In fact, the figures since 1982 might give a good indication of the magnitudes of Indonesia's exports to China.

Table 7

INDONESIA'S TRADE BALANCE WITH CHINA, 1980-1985
(Millions of US Dollars)

	1980	1981	1982	1983	1984	1985
<i>Indonesia's Imports</i>						
1. Indonesia's recorded imports from China	197	254	231	204	224	248
2. Reported re-exports by Hong Kong, from China to Indonesia	201	228	251	224	195	164
3. China's recorded exports to Indonesia	21	54	46	49	70	108 ^a (72)
<i>Indonesia's Exports</i>						
4. Indonesia's recorded exports to China	—	8	14	27	8	84
5. Reported re-exports by Hong Kong, from Indonesia to China	44	33	42	(44) ^b	(52) ^b	(32) ^b
6. China's recorded imports from Indonesia	14	63	151	150	214	312 ^a (208)
<i>Indonesia's Trade with China</i>						
7. Balance(6-1) ^c	-183	-191	-80	-54	-10	64

^aEstimate based on figures for January to August; figures in brackets are actual for January to August.

^bEstimate based on total Hong Kong re-exports from Indonesia, assuming that proportion re-exported to China is same as average for 1980-1982.

^cNegative sign indicates balance in favour of China.

Source: Indonesian and Chinese trade figures are based on IMF, *Direction of Trade Statistics*, various issues; on Hong Kong re-exports, see Appendix Table 1.

If Indonesia's recorded imports from China and China's recorded imports from Indonesia (for later years) are to suggest the actual magnitudes of exports and imports between the two countries, the following can be concluded:

- a. the trade balance appeared to be *only slightly* in favour of China;
- b. the trade imbalance tended to be reduced, and in 1985 might even have turned in favour of Indonesia.

The general belief was that Sino-Indonesia trade was very much in Indonesia's disadvantage. Two different policy suggestions followed from that belief. The first, somewhat defeatist in nature, suggested that Indonesia should limit its interactions with China because tradewise it will always be put in a disadvantageous position. The second, a more activist position, suggested the need to re-open direct trade with China to rectify the imbalance, which was believed to be the consequence of indirect trade.

There were other arguments for the re-opening of direct trade. Firstly, in order to have more tangible data on the entire trade transactions between the two countries.⁸ This may indeed be a desirable objective, but there are ways to estimating the magnitude and commodity composition of transactions, especially since there have been improvements in reporting on the Chinese side. Secondly, it was argued that direct trade would result in cheaper imports and higher profit margins on exports by eliminating the commission fees to intermediaries, which ranged from 5 to 12 per cent in the case of Hong Kong's middlemen.⁹ This suggestion was not unchallenged either. Counter arguments pointed to the importance of the scale of transactions, which explained for the efficient operations of intermediation by Hong Kong or Singapore.¹⁰ The then Indonesian Minister of Trade, Radius Prawiro, was reported to have argued that direct trade might even result in more costly transactions.¹¹

A third argument for the resumption of direct trade was to lessen Indonesia's dependence on third parties, the intermediaries. It was suggested that Indonesian products which are being traded by intermediaries cannot compete with products from countries that market their products directly -- and thus, more aggressively, such as Malaysia. Therefore, it was argued, direct trade

⁸*Kompas*, 8th July 1985.

⁹Based on KADIN's statement in *Merdeka*, 29th December 1977; also statement by the representative of Indonesian Commodities Centre, Ltd. (ICC), *Sinar Harapan*, 12th October 1984, ICC is a private Indonesian company established in Hong Kong in 1983 to promote exports of Indonesian commodities, primarily with the Chinese market in mind.

¹⁰Statement by the Chairman of the Association of Indonesian Importers (GINSI), Zahri Achmad, in *Tempo*, 13th July 1985.

¹¹*Kompas*, 20th May 1978.

should be in Indonesia's interests if only to protect Indonesia's market share for rubber and coffee.¹²

Other arguments related to the hypothesis that direct trade would facilitate increased exports from Indonesia to China, for both traditional and new commodities, and thus, would assure for a more balanced trade. Direct trade was thought to have yet another advantage, namely that it would imply greater control over the kinds of goods imported from China. There were some fears, however, that the re-opening of direct trade would result in a flooding of Chinese manufactured exports with disruptive effects on domestic producers.

The above concerns were expressed to the first Chinese trade delegation that paid a return visit to Indonesia on 9th-19th August 1985. The chairman of CCPIT, Wang Yaoting, who headed the delegation gave the assurance that China will not export goods already produced in Indonesia.¹³ Other concerns have been taken into account in the drafting of the MOU; those concerns may be more of a political than of an economic nature. Still unresolved is the issue of establishing trade representative offices in each other's country. But short of this, it was hoped that direct trade would proceed smoothly.

In spite of the re-opening of direct trade, some transactions might still be undertaken by third parties, Hong Kong in particular. This may be simply for reasons of convenience, or based on cost consideration, or due to the greater assurance -- legal or otherwise -- from transactions conducted under Hong Kong laws and regulations. These considerations may apply to both the Indonesian and the Chinese sides.

In course of time both sides will select the kind of transactions which will remain beneficially to be conducted through third countries. As was pointed out elsewhere, indirect trade works well so long as it is in the interest of intermediaries; exports of coffee or plywood from Indonesia to China may have benefitted from the superior trade services of Hong Kong or Singapore but it has been questioned in how far these two countries are willing to promote Indonesian products which compete with their own products.¹⁴

THE ROLE OF HONG KONG

The role of Hong Kong as intermediary in the Indonesia-China trade needs to be assessed in the light of Hong Kong's re-exports to the world. It shows

¹²Statement by the Foreign Minister, Mochtar Kusumaatmadja, at a hearing in the House of Representatives; see *Kompas*, 12th November 1984.

¹³*Sinar Harapan*, 14th August 1986.

¹⁴Djisman S. Simandjuntak, "Demythologising the China-Indonesia Trade," in *Indonesian Quarterly*, vol. XIII, no. 2 (April 1985), pp. 144-149.

Table 8

HONG KONG RE-EXPORTS BY DESTINATION, 1977-1985

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Value of Re-exports (HK\$ b)									
Re-exports as % of total exports	9.8	13.2	20.2	30.1	41.7	44.4	56.3	83.5	105.3
Re-exports by destination; %-age	21.9	24.5	26.4	30.6	34.2	34.8	35.0	37.7	44.8
share of:									
ASEAN	30.8	29.0	25.7	24.0	24.3	25.2	21.4	14.3	9.7
Indonesia	10.8	9.9	8.4	9.2	10.2	10.4	6.9	4.4	2.2
Malaysia	2.1	2.0	1.7	1.3	1.2	1.5	1.5	1.3	0.9
Philippines	3.4	3.8	3.9	3.0	3.1	3.3	2.9	1.8	1.5
Singapore	10.8	10.5	9.0	8.3	7.8	8.2	8.0	5.4	4.2
Thailand	3.7	2.8	2.7	2.2	2.0	1.8	2.1	1.4	0.9
China	1.8	1.6	6.6	15.4	19.3	18.0	21.6	33.6	43.7
Other	67.4	69.4	67.7	60.6	56.4	56.8	56.0	52.1	46.6
of which:									
USA	—	—	10.0	10.3	11.5	12.7	14.3	14.5	14.0
Japan	—	—	12.4	7.3	6.7	5.8	5.6	5.5	5.2
Taiwan	—	—	—	7.4	5.8	6.0	6.1	5.8	4.1

Source: Census and Statistics Department, *Hong Kong External Trade*, various issues; and, *Hong Kong Review of Overseas Trade*, various years.

that the services it renders in the trading of goods between countries, having no direct trade relations, are only a small fraction of its total re-exporting activities.

Indeed, Hong Kong's role as intermediary has blossomed over the past 10 years. As shown in Table 8, re-exports in 1977 amounted to about 22 per cent of Hong Kong's total exports; in 1980 the share of re-exports increased to 31 per cent and further increased to 45 per cent in 1985. The value of re-exports in 1960 was about HK\$30 billion or about US\$6 billion and has increased to about HK\$105 billion or US\$13.5 billion in 1985. The growth of Hong Kong's re-exports appears to result mainly from the opening up of the Chinese economy. In fact, the share of the Chinese market for Hong Kong re-exports was less than 2 per cent in 1977 but sharply increased to 15 per cent in 1980 and 44 per cent in 1985.

The share of the ASEAN market for Hong Kong's re-exports declined quite substantially, from a little above 30 per cent in 1977 to less than 10 per cent in 1985. Indonesia and Singapore have been the important ASEAN markets; their shares were around 10 per cent each in the late 1970s and early 1980s, but in 1985 they were only 2 per cent and 4 per cent, respectively. The ASEAN market as a whole has become less important for Hong Kong's re-exports, although its share now is still larger than that of Japan or Taiwan. The share of the US market has increased from around 10 per cent in 1979 to 14 to 15 per cent in 1984 and 1985.

In terms of the origin of Hong Kong's re-exports, China is also the predominant source. Its share in 1984 was 34 per cent and ranked first, followed by Japan (22 per cent), the US (10 per cent) and Taiwan (6 per cent). The shares of these four countries have been about three-fourth of the total value of Hong Kong's re-exports origin since the late 1970s. Re-exports by Hong Kong to Indonesia and Singapore originates mainly from China and Japan, and to a lesser extent from the US. In the case of the Philippines, the US ranks first, followed by Japan and China. In 1984 around three-fourth, of re-exports to the US and more than half of re-exports to Japan originated from China (see Appendix Table 2). Clearly, Hong Kong functions as an important window for Chinese external economic transactions. In 1984, about 15 per cent of China's total import and export trade were handled by Hong Kong.

As stated earlier, the share of the Indonesian market for Hong Kong's re-exports has sharply declined in the last few years, from a third place (after China and the US) in 1980 to the eighth place in 1985. However, Hong Kong's trade with Indonesia continues to be dominated by re-exports. In 1984, for example, of Hong Kong's total exports to Indonesia about 89 per cent consisted

of re-exports, and approximately 85 per cent of its total imports from Indonesia were re-exported.

The origin of Hong Kong's re-exports to Indonesia is shown in Table 9. Up to 1984 it was Japan -- rather than China -- that was the main source of re-exports. Japan's shares was about 60 per cent in 1981 but that share declined to 26 per cent in 1985. This decline appears to be part of -- and in line with -- the overall reduction of Indonesia's imports, especially from Japan, since 1983. The most important commodities for re-exports from Japan to Indonesia were road vehicles (46 per cent in 1980 and 49 per cent in 1984), followed by photographic apparatus, equipment and supplies and optical goods; watches and clocks (9 per cent in 1980 and 11 per cent in 1984). Exports from Japan to Indonesia through Hong Kong have never been significant, and in 1984 constituted only about 6 per cent of Japan's total exports to Indonesia.

Table 9

HONG KONG RE-EXPORTS TO INDONESIA BY COUNTRY OF ORIGIN
(Millions of HK Dollars)

	1980	1981	1982	1983	1984	1985
<i>Total</i>	2,761	4,272	4,615	3,884	3,654	2,301
<i>of which:</i>						
Japan	1,392	2,547	2,620	1,793	1,616	608
China	999	1,277	1,524	1,629	1,525	1,283
USA	110	161	110	90	116	74
Taiwan	33	31	41	45	43	—
FR Germany	—	—	29	53	51	42
Switzerland	—	—	—	—	41	41

Source: Same as Table 8.

Hong Kong re-exports from China to Indonesia remained rather stable during the past 5 years, and did not experience the drastic drop as was the case with re-exports from Japan. Indonesia's share of Hong Kong's total re-exports from China was 5.4 per cent in 1984 and declined slightly to 3.7 per cent in 1985. Hong Kong's role in Sino-Indonesian trade is by far more important than in Japan-Indonesian trade relations since almost all Indonesian imports from China have come through Hong Kong. The commodity composition of re-exports from China to Indonesia was also much more diversified than that of re-exports from Japan (see Appendix Table 3). As shown in the earlier Table 4, there had been a shift in the commodity composition of Indonesian imports from China, from manufactured goods, machinery & transport equipment towards crude materials, such as cotton and oil seeds, as well as manu-

factured intermediate inputs, such as textile yarn. This may explain for the sustainability of Indonesia's imports from China.

It remains to be seen in how far Hong Kong's role in Sino-Indonesian trade could be continued now that the two countries have resumed direct trade relations. Commodities which are imported by Indonesia in relatively large quantities -- such as cotton -- are likely to be traded directly from now on. The Chinese side has also indicated an interest to import Indonesian plywood directly as soon as they have terminated the contract with their Hong Kong agents. However, commodities of smaller quantities, namely machineries, equipment, tools and the like, which in total may still amount to US\$100 million or so, are likely to continue to be imported through Hong Kong. All these will depend on how smooth direct trade between Indonesia and China develops in the coming years.

FUTURE PROSPECTS

The KADIN delegation that visited China during 27th July to 3rd August 1985, to mark the official re-opening of direct trade, returned with great optimism about the future of direct Sino-Indonesian trade. During the visit the Chinese side signed letters of intent to purchase Indonesian products worth an estimated US\$352.5 million. These included cement (250,000 tonnes), fertilisers (25,000 tonnes), plywood (150,000 cu.m.), sawn timber (75,000 cu.m.), rattan (5,000 tonnes), textile raw materials (worth US\$60 million), concrete steel (5,000 tonnes per month for 1 year), natural rubber (50 to 75,000 tonnes), cocoa (3,000 tonnes), and coffee (6,000 tonnes).¹⁵ In addition, it was reported that the Chinese side also indicated an interest to buy aluminium ingots and sheet glass.¹⁶ The Indonesian side did express an interest in buying cotton fibre (50,000 tonnes), coal, and asphalt. Beijing also sought to export silk and railway tracks to Indonesia.¹⁷

A return visit by China's first trade mission to Indonesia, which took place on 9th to 19th August 1985 immediately following KADIN's visit, was hoped to finalise the above deals. The 43-member delegation was headed by the Chairman of CCPIT and consisted of presidents, vice presidents or general managers of 17 companies, including the Bank of China. It was a high level delegation. However, the delegation did not leave with any signed contracts, but suggested that smaller groups would make the follow-up.

¹⁵*Antara*, 6th August 1985.

¹⁶*Jakarta Post*, 5th August 1985.

¹⁷*Ibid.*

Nonetheless, the visit was useful since it provided an opportunity for the Chinese delegations to meet with Indonesian officials and vice versa. Both the Indonesian Minister of Trade and the Junior Minister/Cabinet Secretary reiterated the policy of the GOI, which essentially supported direct trade activities by providing all the necessary facilities but would give no special treatment to China. Earlier, it was suggested by the Chairman of CCPIT that Beijing was prepared to give special treatment to Indonesia, especially in the form of lower import duties.¹⁸

In late August 1985 a textile team from China indeed came to sign purchase contracts for textile raw materials. The purchase consisted of polyester fibre (5,000 tonnes), polyester textured yarn (8,000 tonnes), nylon stretch yarn (200 tonnes), and acrylic fibre and top (4,000 tonnes). However, the purchase was linked to a counterpurchase requirement for Indonesia to buy Chinese cotton.¹⁹ A visit by a delegation from Sinochart followed in early November 1985 to discuss shipping problems.

Troughout 1985 a number of shipments to China had been reported. Krakatau Steel -- a state enterprise -- was reported to have exported 5,000 tonnes of steel wire to China even prior to the re-opening of direct trade.²⁰ Similarly, there were direct shipments of fertilisers (July and October), sawn timber (October), as well as rubber (November). In fact, since early January 1985 a new shipping policy was already introduced by the GOI which allowed Indonesian vessels to go to China. However, most of the above shipment were undertaken by vessels carrying Chinese flags.

By the end of 1985, the realisation of Indonesian exports to China as recorded by KADIN amounted to US\$38 million.²¹ Some of those exports, however, did not originate in the agreements made during KADIN's mission visit to China or made through KADIN, suggesting that while KADIN has been given a co-ordinating function it has no legal powers to oblige exporters to go through KADIN.

Another KADIN delegation visited Beijing from 15th to 22nd January 1986, and during this visit the Chinese side signed another contract to buy 250,000 tonnes of cement, valued at US\$13.5 million. The Chinese side indicated that this deal might lead to a total purchase of 1 million tonnes for 1986. However, the Chinese side insisted on a countertrade deal in which the

¹⁸This was reported in *Kompas*, 30th July 1985.

¹⁹*Merdeka*, 2nd September 1985.

²⁰*Sinar Harapan*, 22nd January 1985.

²¹*Antara*, 6th January 1986.

Indonesian side was to purchase coal and cotton in return. The insistence on a countertrade deal by the Chinese was seen as a compensation for them since they could have imported cement from Taiwan via Hong Kong at a lower price.²² A number of implications arose. Firstly, the deal was seen by many in Indonesia as politically motivated and therefore, not very welcomed. Secondly, the Indonesian side was put in difficulty to implement the deal because KADIN cannot function as a trading house. Thus, it was left to be sellers to cement to conduct the counter trade.

Interactions between Chinese and Indonesian traders have been quite intensive since July 1985. Potentials for increasing trade remain to be exploited and further identified. The absence of trade representative offices in each other's country may not be helpful to meeting the need in gathering up-to-date information on market opportunities. However, this problem may not be as urgent to resolve as compared to the more serious problems that have arisen thus far; such as: (a) on shipping; (b) on countertrade; and, (c) on the procedures of inspection and verification of China's exports to Indonesia.

With regard to shipping, it had been agreed in principle that vessels from both countries will be given a "fair share" in the transportation of goods from Indonesia to China and *vice versa*. This agreement reached between CGPIT and the Indonesian National Shipowners Association (INSA) was endorsed in August 1985.²³ However, as later reported by KADIN, the transportation of about 5 million tonnes of goods throughout 1986 between Indonesia and China -- involving a freight cost of US\$80 million -- will be handled solely by Chinese vessels.²⁴ This decision was taken because it was believed by KADIN that freight tariffs of Indonesian vessels were 40 per cent higher than that of Chinese vessels. This estimate, however, was disputed by INSA. While this problem appeared to have been settled among KADIN and INSA, there was also the belief that arrangements at the ports of China tended to discriminate against foreign flag carriers.

Countertrade, as being imposed by the Chinese side in a number of deals with Indonesia, if applied to future transactions may indeed become an obstacle to increasing direct trade. In fact, Indonesia's initiative to re-open direct trade with China may have been taken at the wrong time, namely when

²²This statement was made by the Head of the KADIN mission, Tony Agus Ardic, as reported in *Pelita*, 25th January 1986.

²³*Kompas*, 8th February 1986.

²⁴For 1986, the following shipment was planned; (a) from Indonesia to China, 1 million tonnes of fertilisers, 1 million tonnes of cement, 1 million metric tonnes of plywood, 0.5 million tonnes of iron and miscellaneous goods; (b) from China to Indonesia, 1 million tonnes of coal, 0.5 million tonnes of finished and semi-finished goods; see, *Sinar Harapan*, 1st February 1986.

China already started to restrict on the uses of its rapidly dwindling foreign exchange, especially during 1985. Countertrade appeared to have been introduced out of necessity rather than choice. However, the Indonesian side lacks sophisticated trading services which can facilitate countertrade. There may be another aspect of this issue. The high profile of Indonesia's efforts at promoting Sino-Indonesian trade might have aroused undue attention by China's policy makers, making Indonesia a target for the imposition of certain measures, such as countertrade. This was perhaps justified by the belief in Beijing that Sino-Indonesian trade balance was in Indonesia's favour. In view of this, suggestions have been made as to the advantage of indirect trade between Indonesia and China which does not put such a burden on the Indonesian side.

Nonetheless, the policy implications for Indonesia are not immediately obvious. Indonesia may want to opt for the further strengthening of direct trade relations even though countertrade is applied by China because Indonesia may see this as a challenge to the development of a more sophisticated trading infrastructure on its part. This certainly requires a more global orientation -- rather than bilateral -- in the development of its trading mechanism. The co-ordinating function performed by KADIN is far from adequate.

The other problem relates to the inspection and verification of China's exports to Indonesia. A regulation of the GOI, the Presidential Instruction (Inpres) No. 4, April 1985, stipulated that all imports to Indonesia must be inspected and verified by the Geneva-based Societe General de Surveillance (SGS) at points of loading and must be covered by SGS verification reports to be allowed into the country. The problem for China is that SGS has no subsidiaries, affiliates or agents in China, and China does not allow foreign surveyor companies to operate in China.

Due to this problem, shipment of raw cotton fibre from China to Indonesia, which should have taken place in October, November, and December 1985 according to the contract, had to be postponed. CCPIT's Vice Chairman, Guo Dong Po, visited Indonesia in late January 1986 to resolve the problem of inspection and verification. The Chinese side proposed that the survey be undertaken by China National Commodity Inspection Corporation (CCIC). Indonesia has not objected to this proposal so long as an agreement can be reached between SGS and CCIC. It was reported that negotiations in Beijing in March 1986 between CCIC, SGS and PT Sucofindo -- Indonesia's surveyor company which supervises SGS's activities for Indonesia -- did not result in an agreement regarding the issuance of surveyor's verification reports.²⁵

²⁵*Sinar Harapan*, 5th April 1986.

²⁶*Ibid.*

From 1st April 1986 SGS decided to undertake the survey in Hong Kong, which effectively meant that Sino-Indonesian trade is processed through Hong Kong. In view of this development, the Chinese side was also reported as considering a suspension of direct trade with Indonesia -- so far as its exports to Indonesia are concerned -- and to let the trade be carried out through Hong Kong.²⁶

The above discussion shows that there are a number of obstacles in the development of direct trade relations between Indonesia and China, in spite of the increases already experienced in 1985 (Table 1). Those problems originate not so much from the absence of diplomatic relations as from the lack of the necessity of a trading mechanism. So long as such mechanism fails to develop, Hong Kong's intermediary role remains to be an option, if only by default.

Appendix Table 1

RE-EXPORTS BY HONG KONG IN SINO-INDONESIAN TRADE

	1980	1981	1982	1983	1984	1985
<i>From China to Indonesia</i>						
HK\$	999	1,277	1,524	1,629	1,525	1,283
US\$ ^a	201	228	251	224	195	164
<i>From Indonesia to China</i>						
HK\$	221	186	253	(321) ^b	(407) ^b	(447) ^b
US\$ ^a	44	33	42	(44)	(52)	(57)

^aBased on following trade conversion factors per US\$: HK\$4.98 (1980); HK\$5.59 (1981); HK\$6.07 (1982); HK\$7.27 (1983); HK\$7.82 (1984); and HK\$7.80 (1985).

^bAuthor's estimate based on total re-exports from Indonesia, of which 34% went to China (average 1980-1982); for later years this may be underestimated due to increased exports of plywood through Hong Kong.

Source: Census and Statistics Department, *Hong Kong External Trade*, various issues; and *Hong Kong Review of Overseas Trade*, various years.

Appendix Table 2

HONG KONG RE-EXPORTS BY ORIGIN AND DESTINATION, 1984
(Millions of HK Dollars)

Destination Origin	China	USA	Taiwan	Japan	Singapore	Indonesia	South Korea	Philippines	Other	Total
China	2,110	8,778	999	2,136	1,182	1,525	1,445	325	9,607	28,107
Japan	9,481	822	818	599	1,310	1,616	269	293	3,487	18,695
USA	2,932	868	1,083	433	910	116	425	346	1,403	8,516
Taiwan	3,327	159	172	—	86	43	—	—	1,324	5,111
South Korea	1,254	149	97	—	75	—	—	—	739	2,314
F.R. Germany	589	—	190	—	59	51	273	51	360	1,573
Switzerland	197	—	199	63	144	41	255	—	399	1,298
UK	396	—	152	65	—	—	107	—	441	1,161
France	415	—	—	114	92	—	—	—	412	1,033
Other	7,363	1,333	1,158	1,223	653	262	666	463	2,575	15,696
Total	28,064	12,109	4,868	4,633	4,511	3,654	3,440	1,478	20,747	83,504

Source: Same as Appendix Table 1.

Appendix Table 3

RE-EXPORTS TO INDONESIA BY PRINCIPAL COMMODITIES, 1982-1985
(Million of HK Dollars)

	1982	1983	1984	1985
<i>From China</i>				
Manufactures of metal	228	293	278	210
Textile fibres	4	75	158	188
Miscellaneous Manuf. articles	94	96	113	93
Road vehicles	63	67	83	—
Crude Animal and vegetables materials	39	151	—	—
Oil seeds	154	103	—	—
Textile yarn	105	85	—	—
<i>From Japan</i>				
Road vehicles	1,687	964	793	—
Photographic apparatus etc.	159	157	171	—
Iron and steel	64	103	81	—
Machinery specialised for particular in- dustries	73	67	78	—
Telecommunication sound recordings and reproducing apparatus and equipment	40	36	46	—

Source: Same as Appendix Table 1.

The Decolonisation of East Timor: A Historical Review

KRISTIADI

INTRODUCTION

The 25th April 1974 coup d'état in Portugal has brought about two new political programmes, namely those of democratisation and decolonisation. The democratisation idea has emerged as a reaction to the authoritarian and fascist nature of the old regime, while that of decolonisation has resulted from the bitter realities of the colonial wars in Africa.

The idea of decolonisation which grew both within young officers circles and in the mind of General Spínola sprang from the same background. As a result of the war in its African colonies, Portugal was left behind and was backward among the European countries. From the idea of decolonisation policies emerged afterwards. However since in the wake of the coup there emerged two poles determining political strategies, its decolonisation policies had two versions as well. One was the version of Spínola which was conservative in nature and the other that of the Armed Forces Movement (young officers movement) which was radical and consequent. Nonetheless, both had a similar background and motives, namely to endeavour to rescue the Portuguese nation and state overburdened by their colonial wars in Africa, from getting poorer and backward. Thus, Portugal's decolonisation policies were not based on the demands of times and on the awareness that independence is the right of all nations, compelling the abolition of all kinds of colonialism as it is not in conformity with humanity and justice.

Above mentioned coup did not only bring about radical changes within Portugal, but it also opened a new page in the political history of its colonies.

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New measures and promises of the new regime of General De Spínola, while not fully fulfilling the expectations of the freedom movements in its colonies, provided new breath and greater opportunities to the freedom fighters.

In East Timor, those promises comprised among other things: the restoration of civil rights including democratic rights, the dissolution of the People's National Action government party; the disbandment of the secret police who were haunting the people; the abolition of the press censorship; and the people were free to form political parties and to take part in formulating government policies. Furthermore, the new regime also intended to apply decolonisation principles to its overseas provinces and to hold a referendum to determine the political status and future of each country. The Government was consequently to accept its outcome. On the basis of those decolonisation policies, there emerged in East Timor three political parties, namely Apodeti (Associação Popular Democrática Timorense -- Timorese Popular Democratic Association), UDT (União Democrática Timorense -- Timorese Democratic Union) and Fretelin (Frente Revolucionária de Timor Leste Independente -- Revolutionary Front of East Timor).

THE PARTY SYSTEM IN EAST TIMOR

During the Portuguese colonial rule, there was only one party, namely the People's National Action (ANP) government party. In keeping with its decolonisation policies, Portugal provided the people of East Timor with the opportunity to establish political parties. This opportunity however has actually harmed the people of East Timor since the level of their education was very limited and they were still faced with the more fundamental problems of meeting their daily basic needs and did not yet need political parties. Being a community which firmly upheld tradition, where the king was at the same time the leader and exemplar of the people, socio-political institutions, such as political parties, were only utilised by the notables of the community with narrow interests, who formed groupings which could endanger their communal spirit in determining their future. For that reason the aspirations of the people could not be channeled through such modern political institutions. Against such a background the understanding of the party system in East Timor could be put into a better proportion.

On the basis of the chronology of their establishment, these political parties in East Timor can be listed as follows:

UDT

UDT was formed on 12th May 1974, by a group of 23 notables of the community and constituted the largest party. Within UDT there were three lines of thought on the decolonisation policies. One was the line of thought under the influence of Ir. Mario Viegas Carrascalao, i.e. that the people themselves should determine their fate. This aspiration was based on the consideration that with such formulation UDT would reach a wider sphere of acceptance in the community. In addition, it was believed that the genuine aspiration of the people of East Timor was to integrate into the Republic of Indonesia. Another group under the leadership of Moutinho, wanted to preserve the status quo, namely that East Timor should remain under the protection of Portugal. And the third one supported by a group under Dominggos da Oliveira, wanted East Timor to become federated with Portugal. Among those three groups, the one under Mario Viegas Carrascalao seemed to have the strongest support as its aspiration was based on the freedom of the people to decide their own fate. This aspiration had the largest sphere of acceptance as it was viewed as the appropriate way to enhance the dignity of the people of East Timor. Although this aspiration did not explicitly desire integration into the Republic of Indonesia, it also obtained the backing of those people who wanted integration with the Republic of Indonesia.

In the further UDT development, on the basis of the consideration that it was necessary to expeditiously save the people from Fretilin's atrocities the UDT leadership decided to explicitly declare their wish to integrate with the Republic of Indonesia. This caused divisions within UDT and some joint Fretilin while others opted for the Portuguese citizenship. A major part, however, supported UDT to accept the above mentioned decision.

Fretilin

Fretilin was previously known as Associacio Social Democratica Timorense (Timorese Social Democratic Association - ASDT) which was formed on 20th May 1974 by several people, including Jose Manuel Ramos Horta, who afterwards became its Secretary for Foreign Affairs, while its chairman was Francisco Xavier do Amaral. The change of the party's name took place after the arrival of 5 students from Lissabon in August 1974. From then on the name Fretilin has been used. Besides the fact that its programme became more stable the pattern of its movement shifted to Marxism. Fretilin rejected the principles of UDT and Apodeti, and maintained its own principle, namely full independence from any country for East Timor. Although Fretilin believed that Indonesia had an important position in Southeast Asia, and felt

the need to teach the Indonesian language in East Timor schools (because many use it), Ramos Horta was of the opinion that the culture, language and customs of Indonesia are very different from those of the people of East Timor who in his view are closer to those of Portugal. On account of that, Portuguese was made the official language, while Tetum which was acknowledged as a language much understood and used by the people of East Timor was in his judgement not complete and not fit to be used as the official language.

Apodeti

Apodeti was previously known as Timor-Indonesia Integration Association (AITI), formed on 27th May 1974 by Fernando Osario Soares, a former Portuguese refugee. In this party there was also Arnaldo Dos Reis Araujo. This party has always been assumed to be a group with the aspiration for integration with the Republic of Indonesia. Part of this assumption is true as one of the components of Apodeti was the AITI which from the very outset had that aspiration. It should be noted, however, that there were many people who had such aspiration but did not join Apodeti. Conversely, not all members of Apodeti had the aspiration for a genuine integration. At least there were within Apodeti elements who at first had another aspiration, namely to unite East Timor with the Western part of Timor into a self-governing country. That was however natural dynamics in the cristalisation process, and eventually that group achieved a consensus on integration with Indonesia.

AITI was essentially the legalisation of long standing freedom movements in East Timor. Many prominent members of that party were fighters in the popular rebellion of 1945-1949 in Los Palos. For that reason, as was the case with struggles at that time, the formation of Apodeti was based on the aspiration of the people of East Timor who felt themselves being part of the Indonesian people, who were isolated because of centuries old disputes between Dutch and Portuguese colonisers, which were later settled through the treaty of 1904 which formalised the division of the Island of Timor into two parts. However, as the dispute continued, the matter was submitted to the arbitration tribunal at The Hague in 1946. This tribunal decided that Holland was to continue to control Western Timor, while Portugal, in addition to Eastern Timor was also given Atauro Island (to the north of Dili) and Oekusi region on the North coast of Western Timor.

Historical sentiments which were widespread among the people generated the belief that the separation of East Timor from Indonesia was a violation of humanity to be resisted.

Prominent figures of the community with the aspiration for integration with Indonesia had built up power to realise their ideals long before the coup in Portugal.

Due to historical sentiments which have grown strong among the people who regard themselves Indonesia, border lines have lost any meaning. Relations with the community of Indonesian Timor were close as they all felt that all tribes of Timor were part of the Indonesian people.

The aims of the struggle of Apodeti were not only manifested in its old name but also in its Political Manifesto of 27th May 1974, which stated among other things: Considering that in order to exercise that granted freedom, East Timor will chose concretely:

- a. Integration into the Indonesian community.
- b. The freedom of social justice.
- c. Integration based on International Law with the status of an autonomous province.

The extent of its determination to struggle for the principle of integration into the Republic of Indonesia can be seen in its Statutes, particularly in Chapter II on Principles and Aims, Article 2 (Principles) which reads:

The Apodeti Party is based on:

- The belief in the One and Only God
- Just and civilised humanity
- Cultural and geneological unity, same history and fate
- Deliberations among representatives
- Social justice.

And Article 3 (Aims) which reads:

The Apodeti Party aims at realising the ideal of Independence for the people of Portuguese Timor and at the integration into Indonesia, with a view to obtain welfare for the people of Portuguese Timor.

Meanwhile, the stance of Apodeti towards the three alternatives for the future of East Timor is as follows. The first alternative chosen as the aim of the struggle of UDT was to make East Timor a country with an extensive autonomy within a federation with Portugal or an independent one but within the Portuguese commonwealth. Apodeti firmly rejected such ideal as it was not in keeping with the aspiration of the people of East Timor and will not be

able to attain the main goal towards a just and prosperous society. This ideal regarded as dependence on Portugal was not realistic since Portugal was considered bankrupt as to be unable to provide a protective umbrella over East Timor.

The second alternative which constituted the aim of Fretilin was full independence from any country for East Timor. Apodeti also rejected it as the condition and situation of Portuguese Timor did not enable it to stand on its own feet as an independent and free country. This ideal was regarded as an illusion which if realised would make East Timor an arena of major power competitions which could make the people to suffer. In addition, it was not in keeping with the ideal of the people of East Timor who wanted to integrate into Indonesia, as geographically East Timor is part of Timor Island, one of the islands of the Nusantara Archipelago which since time immemorial constituted a geopolitical entity. The people of East Timor represent also one people with one regional language, which is the Tetum language. That is why family relationship continued, despite partition by colonial laws.

The third alternative which had become the aim of Apodeti was the integration of East Timor into the Indonesian Republic, which is called by Apodeti as a "Return to the Fatherland." At first, the two other parties rejected it, but later on UDT could accept. On the other hand, Fretilin continued to reject this third alternative. Consequently, there were only two alternatives for the future of East Timor.

THE POLICY OF THE INDONESIAN GOVERNMENT

Portugal's policy of decolonisation, which opened opportunities for the struggle for independence in Portugal's colonies has generated protracted disturbances and civil wars in East Timor. Such a situation has drawn the attention of the Indonesian government to prevent the region from turning into a vulnerable one.

In facing the developments taking place in East Timor, Indonesia being a nation who upholds Pancasila as its ideal foundation, the 1945 Constitution as its structural basis, GBHN (Guidelines of State Policy) as its guide in determining its position and the direction of its actions, through the session of the Council for Political and National Security Stabilisation on 8th October 1974, President Soeharto officially declared Indonesia's "basic stance" on the East Timor problem as follows:

- a. Indonesia does not have territorial ambitions;
- b. It respects the right of the people of East Timor to self-determination;

- c. Should the people of East Timor wish to join Indonesia, they can not do so as a state, but they will become part of the territory of the unitary state of the Republic of Indonesia.

The decolonisation policy itself is applauded and is in conformity with the spirit as enunciated in the Preamble of the 1945 Constitution: "Whereas Independence is the natural right of every nation, colonialism must be abolished in this world because it is not in conformity with Humanity and Justice." For that reason, Indonesia could accept the decolonisation policy of Portugal. However, Indonesia would oppose if that decolonisation policy would only be a manifestation of the old form of colonialism in a new model of colonialism. Aside from that, to Indonesia the decolonisation process should not disturb the stability of the surrounding region (particularly Indonesia which was actively involved in development efforts). Hence the outcome of decolonisation should not make East Timor a vulnerable country, being an arena of major power competition, and a "trouble corner" which could put Indonesia in a difficult position.

Meanwhile the existing aspiration and sentiment among the people of East Timor of being one nation, having one fatherland and sharing similar ideals with the people of Indonesia continue to prevail and efforts to re-unite East Timor was in effect an endeavour to re-unite a separated part with the whole.¹ In this context the first step taken was to approach both the colonial regime and the people of East Timor. In this regard the Governor/Head of the Nusa Tenggara Timur Province (at that time), El Tari, whose territory bordered on the territory of East Timor controlled by the Portuguese, played an important role. This policy was more effective as Portugal's economy being the main supporter of East Timor's economy deteriorated, while taxes collected from the people were insignificant. In addition, food production could never meet the needs of East Timor.

Such a situation made the colonial regime aware of the need for economic assistance from Indonesia and to open the political and economic isolation which was very tight before. Actually through his letter of 4th May 1974 addressed to Governor El Tari, the Governor of East Timor, Fernando Alves Aldeia, submitted a request for supplies of oil and wheat-flour which constituted the staple food of the people. In addition, in negotiations with Governor El Tari, the colonial administration of East Timor, also requested the orderly supply of cattle from NTT.² And in the context of co-operation, it was jointly planned to open common markets in the border areas, in addition to co-operation in the field of meteorology, radio communications, regular sea communications, land communications by bus, and so on. In short, the visit of the NTT Governor to Dili on 28th February -- 2nd March 1974, succeeded in opening the isolation previously maintained by the Portuguese administration.

These good relations continued after the 25th April 1974 coup in Portugal. On 17th May 1974, the Governor of East Timor sent the Chief of Staff of the Portuguese army in East Timor, Major Arnao Matello, to see the Governor of NTT in Kupang and to brief him on the political changes which were taking place in Portugal. It was also explained that as a result of those changes the people of East Timor would be given the opportunity to democratically decide their own fate. The army in East Timor was to secure the holding of that election. In this connection the formation of UDT and ASDT political parties was mentioned, though there were as yet no concrete programmes.

Besides those two parties, which wanted a plebiscite for the people of East Timor to decide their fate and full independence for their country, there emerged a third party, namely AITI (Associacao Integracao de Timor-Indonesia) which desired to integrate with Indonesia. All three were organisations representing the aspirations of the people to participate in the referendum planned for March 1975.

At first the behaviour of all three parties to win the referendum was quite sportive and each moved in conformity with the rules of the game adopted, while the administration showed its ability to act as a stabiliser. Good relations with Indonesia were maintained. However, after Governor Fernando Alves Aldeia was replaced by a new Governor, Lieutenant Colonel Lemos Pires (an officer/member of the Movement), on 8th November 1974, great changes were taking place in the political situation in East Timor. Due to the interference of the authorities in the political parties, dissatisfaction mounted among the parties which felt being unfairly treated. The competition between the parties became sharper and sportivity was gradually abandoned.

The situation became more insecure when the authorities came with a new plan to form a 'Constituent Council' of 10 members, one from each party, while the seven others were practically monopolised by the authorities. Through this council the Portuguese Communist Party (PCP) attempted to control and incite political disturbances in East Timor as they had done in Portugal through the Armed Forces Movement.

The plan which clearly deviated from the decolonisation process as outlined by the Lisbon Government was opposed by all three parties with their respective reasons. Apodeti opposed it arguing that the constituent council would be of no use, and it wanted a referendum. Fretilin opposed it as there would be an Apodeti representative in the council. Meanwhile, UDT accepted the council on the ground that representatives of political parties in the council would not be easily manipulated by the Portuguese government, in this case the AFM. The referendum plan which was later postponed to June 1975, was also abandoned. This means that the decolonisation process in East Timor was indecisive.

Facts showed that the disruption of the decolonisation process was caused by elements of the PCP who deliberately infiltrated East Timor by making use of the change in government. As they had strategic interests, the decolonisation must bring about a position for East Timor which was favourable to the strategies of leftists' movements. On that account they attempted to achieve the ability to direct the decolonisation process of East Timor, despite the fact that the process was opposed to and deviated from outlines drawn by the Lisbon government.

From the outcome of the approaches and exploration carried out by an Indonesian delegation under Lieutenant General Ali Moertopo in medio October 1974, it became obvious that in the decolonisation process in East Timor the Lisbon government adopted this basic position:

1. To leave the future of East Timor fully to the aspirations of its people.
2. To be independent and on its own is for East Timor not realistic.
3. To be a state within a Portuguese federation is to negate the nature of Portugal's decolonisation policies.
4. Integration into the unitary state of the Indonesian Republic is the most realistic future status of East Timor.
5. To respect, to recognise and to give the opportunity to Indonesia to take part in moulding the future of East Timor.
6. To fully realise Indonesia's interests and position in the East Timor problem.

As this position of the Portuguese government would not be favourable to the strategies of leftists movements, PCP forced its presence in East Timor. That was the cause of the emerging situation as mentioned. In addition to efforts in removing the role of Indonesia, they made efforts to unite Fretilin and UDT in order to confront Apodeti. UDT however later realised that they were used solely as an instrument by the marxist authorities of East Timor. They also felt that the favoured Fretilin has shifted to the left and adopted a marxist course. For that reason the coalition of UDT with Fretilin could no longer be maintained. This awareness of UDT was explained by its chairman and vice chairman during their visit to Jakarta on 14th April 1974 made with a view to requesting for assistance to Indonesia.

THE APPROACH TO THE PORTUGUESE GOVERNMENT

Being the government with the initiative of decolonisation, Portugal occupied a crucial position in the decolonisation process of its colonies. On account of that, steps were needed to approach and sound out the Portuguese

government in Lisbon. With that objective in view, President Soeharto through the Session of the Council for Political and National Security Stabilisation of 8th October 1974, has assigned the task to, Lieutenant General Ali Moertopo of carrying out an important mission i.e. to explain Indonesia's stance on the East Timor problem to the Portuguese government. In addition, Lieutenant General Ali Moertopo was given the task to convince the Portuguese government that Indonesia as well had interests in the future of East Timor in view of Indonesia's position. In granting the right to self-determination to the people of East Timor, the Portuguese government must act in such a way as to cause no disturbances to the stability of the region, which may eventually become a burden to itself.

Since at that time Indonesia's diplomatic relations with Portugal had been severed, prior to directly approaching Lisbon, General Ali Moertopo has assigned two liaison men for clearing the way to Lisbon, including arranging a meeting between General Ali Moertopo and top officials of the Portuguese government.

In the meantime, two weeks before that task of approaching the Portuguese government was carried out, precisely on 30th September 1974, President Spínola resigned and was succeeded by General da Costa Gomes. This means that there were changes in the political constellation of Portugal, namely the removal of the moderates and the increasing role of the radicals. In other words, with their prominent figure, Vasco Gonçalves in the government as Prime Minister, the role of the AFM became greater. Nonetheless, that change did not alter the agenda of the visit of General Ali Moertopo's delegation as it was believed that some top government officials were to continue to occupy their crucial positions.

There were five prominent personalities in Portugal whom the Indonesian delegation under Ali Moertopo managed to sound out. They were respectively Prof. Campagnos, Deputy Foreign Minister; Foreign Minister Mario Soares; President da Costa Gomes; Prime Minister Vasco Gonçalves; and the Minister for Decolonisation Affairs. Basically the explanation by Lieutenant General Ali Moertopo to those five top officials of the Portuguese government was the same, namely Indonesia's stance on Portugal's decolonisation policies concerning East Timor, Indonesia's basic position, and finally Indonesia's view on the future of East Timor. General Ali Moertopo explained that Indonesia saw three alternatives for the future of East Timor as the outcome of decolonisation, that is being independent under the umbrella of Portugal; joining Indonesia; or being fully independent.

Among the three alternatives, the third one was, in Indonesia's judgement, the least possible, owing to two factors, i.e. first, the people of East Timor did

not yet have trained people to form a capable government; and second, they did not have adequate national resources to guarantee the existence of a free, independent and sovereign state. These two factors will give the opportunity to external power to enter the country with certain intentions, whether it be invited or not by East Timor. Should that happen, there would be instability in East Timor in particular and in Asia-Pacific in general. It was this prospect Indonesia was most concerned about.

On the other hand, should the decolonisation process through a referendum result in the wish of the people of East Timor to be independent under the protection of Portugal, Indonesia would have no objections there of and would respect it. However it would be natural should the referendum result in the wish to join Indonesia. It is in conformity with the historical and ethnic realities as well as with the policies proclaimed by Portugal itself, and is even something which would help create stability and security in the region in particular and in the world in general. Nevertheless, that integration should be carried out on the basis of the will of the people of East Timor and should not be contrary to the Constitution of the Republic of Indonesia, namely that it should be integrated as an autonomous province with a special status. In no way could it be done by way of independence or as an independent state so as to become a member state of a federation.

From the meetings of the Indonesian delegation with above mentioned officials of the Lisbon government one can draw the conclusion that the Portuguese government:

1. Was really serious in its decolonisation plan for East Timor, but had not found a clear-cut concept.
2. Could understand Indonesia's position and stance on the process of the decolonisation of East Timor.
3. Viewed the merger of East Timor with Indonesia as the best future for the people of East Timor themselves and for the stability of the surrounding region.
4. Was hoping for better co-operation between the Portuguese government and that of Indonesia as well as between the Indonesian government and that of East Timor.
5. Was even hoping for the speedy restoration of diplomatic relations between the governments of Portugal and Indonesia.
6. Appreciated very much the Indonesian government which was the first foreign government to have meetings with officials of the new Portuguese government.

Further, on the request of Portugal, in March 1975 the Indonesian government sent a delegation under Lieutenant General Ali Moertopo with the Indo-

nesian Ambassadors to France and the United Kingdom, respectively Lieutenant General A. Tahir and Admiral Soebono, and Drs. J. Halim as members to London, in order to meet and discuss the East Timor problem with a Portuguese delegation led by the Minister of State, Vitor Alves.

As the outcome of the London Meeting of 9th March 1975 it can be said briefly that Portugal still held the view that integration with Indonesia was the most reasonable and convenient way in the decolonisation process of East Timor. In addition, it was also obvious that the government of East Timor had difficulties in facing the Apodeti party and hence felt the need to hope for the help of Indonesia to make Apodeti to accept the idea of establishing a Consultative Body and be willing to be a member.

One very important conclusion one can draw from the London Meeting was a de facto recognition that Indonesia has an interest in the decolonisation process of East Timor, so that in every development of its process Indonesia is always to be considered, to be taken into account and to be involved. This means that in the development of that decolonisation process there were five inter-related decisive factors, namely the Portuguese government with its administration in East Timor, Fretilin, UDT, Apodeti, and Indonesia.

In implementing the agreement reached at the London Meeting, in that the parties should consult each other, at the beginning of April 1975 Indonesia sent a special team to East Timor (Dili).

During its stay in Dili, this team managed to have meetings with the Governor of East Timor, Colonel Lemos Pires, as well as with the leadership of Apodeti, UDT and Fretilin. Among the results of these soundings/meetings the following points can be listed:

1. In the field of the administration, Major De Mota, Cabinet Chief for Political Affairs (PCP member), played a crucial role. However, he did not as yet have a well defined political concept, and was still very much affected by people around him. Moreover, he did not have much influence in the Armed Forces circles.
2. Apodeti party displayed its firm and growing determination to integrate into Indonesia, precisely because there were heavy pressures on the part of the authorities and other parties. They even expressed their willingness to struggle with violence, when no better way could be used.
3. Fretilin was the only party possessing the ability in the field of organisation as well as in fighting tactics, due to the training by leftist ex-students who had arrived from Portugal specially for that purpose. Among them who were still in East Timor at that time was Antonio Carvario. Although in the talks with the team of delegates, Fretilin always tried to evade questions

and to cover its identity, the structure and system of its organisation as well as the tactics of its struggle however clearly showed that Fretilin was communist or at least was controlled by communists. Its hatred towards Indonesia was very striking, perhaps owing to the Indonesian government's attitude in banning the communist ideology in Indonesia.

4. On the other hand, UDT began showing their understanding and appreciation of Indonesia's attitude which desired very much that national security was not to be disturbed and stability attained in the region. Furthermore, appreciation was shown for Indonesia's attitude towards communism.
5. The conviction of Fretilin and UDT that over five to eight years Portugal would be able to develop East Timor in keeping with its decolonisation concept was still strong.

In the meantime, while attending the Session of the UN General Assembly at the end of 1974, Foreign Minister Adam Malik had the opportunity to hold a meeting with Portugal's Foreign Minister Mario Soares in New York on 21st September 1974. The outcome of their talks was among other things that both were prepared to co-operate on the East Timor problem, particularly with regard to efforts of self determination. For that end they needed to consult each other. They also urged that diplomatic relations be restored soon in order to facilitate co-operation and consultation.

A follow-up to this meeting and encouraged by the results of the talks of General Ali Moertopo with top officials in Lisbon, the Portuguese government sent the Minister for Overseas Territories, Dr. Antonio de Almeida Santos, to Indonesia in order to have talks with the Indonesian government on the decolonisation problem of East Timor. In his press statement on his arrival in Jakarta on 16th October 1974, Dr. Santos again stated the position of the Portuguese government on the East Timor problem which was basically the same as presented above. On the other hand, when he met with President Soeharto and Foreign Minister Adam Malik, the Indonesian side stated the same position as before.

Minister Almeida Santos who continued his journey to East Timor, said in Dili on 20th October 1974 that there would be no referendum soon in East Timor. The people of East Timor would beforehand elect their representatives to the Constituent Council and it was this council that would afterwards decide on the general election. He also said that independence for East Timor at that time would not be realistic.

Further, on 27th December 1974, Minister Almeida Santos sent a memo to the Secretary General of the UN, the Committee of 24, and also to the UN Emergency Operation, which basically stated:

1. The people of East Timor wished to stay united with Portugal.
2. Portugal agreed to the independence of East Timor if it was so wished by the majority of the people.
3. The UN was requested to grant aid to the amount of US\$7.5 million in order to overcome famine in East Timor.
4. Indonesia and Australia would be very sensitive should disturbances erupt in East Timor.

Strangely enough, in that memo was not mentioned the possibility of the integration of East Timor into Indonesia, which was discussed before in talks between Indonesia and Portugal as well as in the statements on their respective basic positions.

Meanwhile, on the basis of the outcome of the mission of General Ali Moertopo to Lisbon in medio October 1974 and the outcome of negotiations between Foreign Minister Adam Malik and Dr. Santos in Jakarta in the same month, Indonesia began making preparations for the restoration of diplomatic relations with Portugal (these relations were broken off in 1964 when the non-aligned countries acted jointly to isolate colonial powers (including Portugal) which did not display any tolerance towards the freedom struggle of colonies). As a follow-up, on 10th May 1975, President Soeharto decided to appoint Drs. Ben Mang Reng Say Ambassador Extraordinary and Plenipotentiary of the Republic of Indonesia to Portugal with his seat in Lisbon. Unfortunately, these relations were again broken off on 7th December 1975, when Dili fell in the hands of a joint force, which in Portugal's judgement was the result of an Indonesian military invasion.

TURBULENCE IN EAST TIMOR

As expounded above, after the succession of the Governor in November 1974, a change took place in the political situation in East Timor. The rivalries between the three parties became fiercer, particularly owing to interference by the authorities who seemed to side with a particular party. Governor Lemos Pires, who was an officer of the AFM belonging to the moderate group and politically oriented to the socialists, tended to favour UDT in his policies. On the other hand, the stance and actions of his aids, who were mostly members of the PCP, tended to favour Fretilin. Meanwhile, some Apodeti figures obtained full support from Major Arnao Matello, Chief of Staff of the Portuguese Armed Forces in East Timor, who was also known as a PCP prominent. Owing to this situation the position of Apodeti having an aspiration for integration with the Republic of Indonesia, became more difficult, the more so as some policies and actions of the authorities were putting pressures on the position of Apodeti members having such an aspiration.

Disagreement among the authorities of East Timor was also reflected in their policies/concepts on the decolonisation of East Timor which were at variance with those outlined by the Portuguese government in Lisbon. This situation in disarray was aggravated by the establishment of a Commission of Timorese Sergeants (native Timorese) on 11th January 1975. This Commission which was dominated by sergeants supporters of Fretilin was the outcome of a new plan of pro Fretilin and UDT sergeants, after they failed to form a new party due to opposition by pro Apodeti sergeants.

Starting from the formation of that Commission, on 20th January 1975 Fretilin and UDT formed a coalition and issued a joint communique signed by the chairmen of Fretilin's Central Committee, Francisco Xavier do Amaral and the UDT Chairman, Francisco Lopez da Cruz. The basic points of this joint communique were as follows:

1. Total independence for the people of East Timor or Dili Timor.
2. To repudiate Apodeti as it defends the idea of integration with a neo-colonialist which is against the real interests of the people of East Timor and the UN Charter.
3. To recognise Portugal as the only legitimate executive in the process of decolonisation, and to adopt Portuguese as the official language of Dili Timor or East Timor.
4. To resort to the UN to support Portugal in the process of decolonisation with the view of national independence for the people of Eastern Timor or Dili Timor.
5. The coalition reserves the right to select which countries may participate in the supervisory commission, and to reject the great powers, ASEAN and other countries influenced by Indonesia and Australia.
6. To establish a transitional government through negotiations in Lisbon between the Portuguese government, Fretilin and UDT.
7. To establish an "ad hoc" committee with equal representatives from both coalition parties for the supervision of radio programmes and lectures for publication through the information media.
8. No ideological aggression and mutual respect for programmes and forms of ideology.
9. Portuguese Timor will be called East Timor and its citizens Timorese.

With the formation of the Commission of Timorese Sergeants and the Fretilin-UDT coalition, for the time being the offensive against the Apodeti potential and elements of pro integration with Indonesia appeared to be more effective. However, as the formation of mentioned Commission and coalition was actually enforced upon them and was not for the sake of the struggle, therefore in a relative short time those two bodies were moving towards fragmentation.

In the meantime, through Dili radio, UDT and Fretilin were launching discrediting and hostile issues addressed to Indonesia. It turned out that this was done so in preparation for a plan to seize power in East Timor since the outcome of the meeting in Lisbon at the end of 1974 and of that in London in March 1975 had shown that Portugal was inclined to accommodate the aspiration for integration with Indonesia. In addition, the campaign was also meant to break the fighting spirit of Apodeti, and at the same time to explore to what extent Indonesia could restrain itself and to keep up to its stance.

A split between Fretilin and UDT could eventually not be avoided. This could be forecasted before as the political views of those two parties were fundamentally different. UDT adopted political patterns which had a conservative-moderate tune and were oriented towards De Spínola's decolonisation policy. Fretilin, on the other hand, adopted extreme leftist political patterns as they were affected by cadres from the MRPP (Movimento Revolucionário do Proletariado Portugues -- Revolutionary Movement of the Portuguese Proletariate) as well as from PCP.

UDT finally realised that its coalition with Fretilin was a trap set for them. Moreover Fretilin seemed to move further to the left. And on 27th May 1975 UDT issued an official communique on its separation from Fretilin. The reason was among others that Fretilin was increasingly controlled by communists and its modes of struggle were endangering the interests of the people of East Timor. Within the context of its struggle against communism, UDT later approached Apodeti and appealed for help to Indonesia in the form of cadre training in order to contain communism and financial assistance to enable them to make contacts with ASEAN countries, Taiwan and Australia.

While the political temperature in East Timor rose higher and higher, above all because the relations between Apodeti and Fretilin has become increasingly hostile, a meeting was held in Macao from 26th to 28th June 1975 between the Portuguese government, Apodeti and UDT. As explained at the London Meeting, the aim of this Macao meeting was to form a Consultative Body where representatives of the three parties would get a seat. As Fretilin did not wish to attend it arguing that it did not wish to sit at the same table with Apodeti who were regarded as a puppet for wanting to integrate with Indonesia, the meeting changed in form to become a mere hearing between the parties present and the Portuguese government. In this connection, in conformity with what was expected by the Portuguese Government in London, Indonesia also sent a high level delegation to Hong Kong in order to monitor the course of the meeting and to communicate its views when asked by the Portuguese government.

The positive outcome of the Macao Meeting was regarded as the one that made the decolonisation process of East Timor to be more certain in that a

decision was made that a referendum was to be held in October 1976; and that Portugal was to leave East Timor in October 1978. In addition, in order to hold the referendum it was decided to form a Governing Body, a kind of managing body for the territory of East Timor.

The results achieved at that meeting, despite the change in its form, were viewed by the participants as quite satisfying to the three sides. Both Apodeti and UDT felt that the aspirations of their parties were successfully included and accommodated in the draft of the decolonisation project of East Timor to be decided by the Portuguese government.

Based on the results of the Macao meeting, a draft constitution approved by the military Revolutionary Council of Portugal and published on 12th June 1975, stated among other things that East Timor was to remain Portuguese territory up to October 1978. It provides for the establishment of a People's Assembly to be elected in a general election in 1976. Its task was to determine the policies and administration of the territory. A Portuguese High Commission was to direct and head the administration to be established with five members as executive secretaries to be appointed by Portugal. Three portfolios were to be given to the three political parties in East Timor, i.e. Apodeti, UDT and Fretilin. The important positions those of the Departments of Justice and Domestic Affairs, Finance and Economic Affairs will be held by Portugal, while less important positions, such as the Department of Culture and Education, Labour and Social Affairs, Environment and Infrastructure were to be given to the three parties.

Meanwhile, the break-up of the UDT-Fretilin coalition did not mean that pressures they exercised on Apodeti were reduced. On the contrary, those pressures were even stepped up by arresting some Apodeti members. Even the King of Atsabe, a prominent Apodeti figure whose influence was very great in Atsabe and the surrounding region where all people were Apodeti members, was almost captured by Fretilin, but could be rescued by an UDT group sent from Maliana by Joao Tavares, the UDT representative in Maliana.

On 11th August 1975, UDT carried out a kind of seizure of power called the 11th August Revolutionary Movement. All important points in Dili were occupied and controlled. This offensive was launched by UDT with the help of some pro UDT government leaders. At the same time UDT demanded among other things that the government take firm steps immediately to expel from East Timor all communists and others with similar leanings; to maintain Lemos Pires as Governor of East Timor; to carry out genuine decolonisation in line with the Lei Constitutional No. 7/1979 the bill of which was approved in Macao by UDT and Apodeti.

And on 13th August 1975, UDT issued a communique to the public to ex-

plain the aim of the movement. It stated among other things that the 11th August Movement was a flash of the conscience of the people of East Timor who for such a long time had been yearning for independence and self government by the people. In this regard the people of East Timor should know that it is UDT who wish to head the government. The communique also called for unity needed to confront the reactionaries. And called on the Armed Forces to unite with UDT.

During the first week, UDT seemed to be still strong enough to occupy important positions and to control some areas. Fretilin, Apodeti, the government as well as the military did at first nothing at all. Fretilin who were in a process of consolidating its power soon started to give resistance. Several prominent Apodeti figures together with Fretilin launched an armed resistance against UDT in Dili.

In facing the deteriorating situation in East Timor, on 23rd August 1975 (and again on 25th August) Portugal asked Indonesia to help in the evacuation of Portuguese citizens and others by dispatching ships to East Timor. On the basis of this request, Indonesia dispatched a delegation led by Colonel Soebiyakto, aboard the KRI Mongonsidi which arrived in Dili on 27th August 1975. Colonel Soebiyakto conducted negotiations with leaders of the three parties in conflict, and an extraordinary result was achieved, in that the three parties agreed to a cease-fire for 4 days to make the evacuation possible. Thereafter KRI Mongonsidi left Dili waters and took position four miles off the coast.

The result of those negotiations could actually be used by Governor Lemos Pires to arrange a cease fire and to control the whole situation. However, he did not do so and actually made preparations for his evacuation to Atauro Island. And he took precisely the wrong step by ordering the KRI Mongonsidi to leave Dili though it was regretted by the Australian government who considered that the country being able to bring about peace was Indonesia.

The control of the situation in East Timor by UDT could not last long. Only one week after the 11th August 1975 Movement the situation was reversed. Fretilin began moving and made efforts to seize strategic positions in several areas. Fretilin could do so as a Fretilin leader, Rogerio Lobato, was appointed by Lemos Pires Commander of the Armed Forces in East Timor who possessed 27.000 fire arms. Accordingly the people's armed forces supported Fretilin. Moreover, Fretilin exploited the weakness of UDT whose strength only relied on the positions of important officials. On the other hand, the controlling power of the military being the important and decisive factor were not given enough attention to though part of the military were on UDT side.

It can be said that the UDT offensive was not sufficiently backed by good planning, so that after achieving success they were bewildered not knowing what to do. For that reason it is not surprising that Fretilin could launch a rapid offensive in all areas and succeeded in seizing them. The evacuation of Governor Lemos Pires and the moving of the government to Atauro on 27th August 1975 meant that UDT could no longer hope to beat Fretilin and also signaled the beginning of the end of the de facto power of the Portuguese government in East Timor. It also means that Portugal washed its hands and relinquished its responsibility as the East Timor authority. Accordingly Portugal no longer has moral right to retain East Timor.

After 26th August 1975, Fretilin gradually controlled part of Dili, including the airport. In Dili and surrounding area Apodeti troops appeared to co-operate with Fretilin to resist UDT in a counter-coup that began on 20th August 1975. Later supporters of Apodeti were captured by Fretilin. Towards September 1975, the trust of the people and political parties of East Timor towards Portuguese authority over East Timor had disappeared totally. Meanwhile, the leaders of Apodeti and the 11th August 1975 Movement endeavoured to approach Indonesian posts to request arms from Indonesia in order to confront Fretilin whose movement was spreading.

The offensive of Fretilin launched at the end of August 1975, in only one month succeeded in controlling almost the whole territory of East Timor, though some base areas of UDT were still able to hold out. At the end of September 1975 practically the whole territory of East Timor was under the control of Fretilin. However, behind that success, ignoring the rules of international relations, Fretilin feeling very strong, often violated Indonesia territory by firing artillery shells into it as well as by plundering cattle and food. Moreover, Indonesian troops patrolling the border had several times fire contacts with Fretilin troops on Indonesian territory, while the people were terrorised and fled to the territory of the Republic of Indonesia. ICRC estimated that the number of refugees totalled about 45.000 people.

Meanwhile, in preparation for the proclamation of independence and the establishment of a state to be called the "Democratic State of East Timor," on 7th October 1975 a meeting was held between the Central Committee of Fretilin with Falintil (Fretilin Armed Forces). The result of this meeting was the drawing of an organisational structure of a state, including that of an executive apparatus. However, in order not to be too obvious and not to invite reactions from outside which could weaken its diplomatic struggle, Fretilin stated that the form of that organisation was the organisational structure of Fretilin's party.

Further, on 13th October 1975, Fretilin leader Xavier do Amaral installed the Administrator of a Provisional Government of East Timor and a Commission for Economic Affairs. With regard to the control of the territory, at the end of September 1975, another announcement was also made concerning the structure of the division of the defence territory for the whole of East Timor, including its personnel and the division of their tasks.

In the meantime, Apodeti who was militarily the weakest party and never hoped to win by armed strength had in effect the strongest position to face the power struggle which was crucial for winning the referendum. The source of Apodeti strength was the motivation of its struggle which was based on ethnological, geographical and historical realities and which could easily be understood and be lived up by the people. And being convinced to win in the referendum, Apodeti directed its movement on fostering understanding with the people, while a built-up of armed physical strength was neglected. UDT and Fretilin, on the other hand, realising that it would be very difficult to win the referendum, directed their movement on the building-up of physical power.

To Apodeti, the occurrence of military movements was a surprise and heavy blow as well. They must however willy-nilly take part in it. And only owing to its skill in exploiting the situation, Apodeti could play a role in the turbulence in East Timor. In Dili for instance, Apodeti took a neutral stance, while around Dili it co-operated with Fretilin to encircle UDT who was in control of Dili. On the other hand, in several areas Apodeti actually co-operated with UDT to confront Fretilin. In this way, Fretilin was able to collect weapons, and even to split its enemies, and managed to draw moderate groups from both parties to join them. However, all that was not without sacrifices. Moreover, the exploitation of the situation was not accompanied by follow-up actions. The outcome was that when Fretilin succeeded in controlling Dili, almost all its leaders were captured by Fretilin, except the King of Atsabe, Maria Guilherme Goncalves and his son with their men who succeeded in fleeing to the border.

Meanwhile, on 1st September 1975, several among UDT district leaders prepared a text proclaiming their integration with Indonesia.

Due to pressures by these UDT district leaders, on the same date, on 1st September 1975, the Chairman of UDT, Lopez da Cruz, met with Indonesian officials at the Indonesian border post of Motaain. In addition to explaining the general situation in East Timor, above all the Fretilin Movement, the UDT Chairman related that UDT had found a Fretilin document in Bukole showing that there had been cooperation between Fretilin and former PKI (Indonesian Communist Party) members. And that in the use of heavy weapons, Fretilin

was assisted by external elements. Lopez also conveyed the desire of a part of the UDT district leaders to proclaim soon the integration with Indonesia. However, that matter needed to be discussed first with other areas. With a view to that, he requested for a small plane and pilot from Indonesia in order to contact those areas. Moreover, he asked for medicines, physicians, food, and heavy weapons, mortars and machine guns from Indonesia.

On 2nd September 1975, UDT Chairman, Lopez da Cruz came for a second time to Motaain to meet with Indonesian officials with almost the same intention, particularly with regard to the wish of the people that the integration with Indonesia be proclaimed soon. Further, in order to bolster those integration efforts, at the end of September 1975, Lopez da Cruz issued a political statement addressed to the Indonesian Ambassador in Canberra, Tokyo and Bangkok, the Indonesian Consul General in Hong Kong, the Representative of the Indonesian Kadin (Chamber of Commerce and Industry) in Taiwan, the Minister of Defence and International Security of Malaysia, and the Directorate for European Affairs of the Foreign Department of Taiwan. Its main point was the problem of integration with Indonesia. It was stated that order and security in East Timor had been destroyed by the war waged by Fretilin. Atrocities and massacres had been perpetrated by Fretilin among the people causing them to suffer. UDT had already issued a statement on integration with Indonesia. This means that from then on UDT was not only friendly or brotherly to the people of Indonesia, but also constituted one family or community under the protection of one flag, the Red and White Flag. In this respect, UDT felt the need to and wanted to continue and foster that relationship in order to make it stronger.

Meanwhile, UDT Chairman, Lopez da Cruz stated in an interview with the German Television that his aim at that moment was to integrate with Indonesia. And being a Democratic Party UDT must follow the voice and the wish of the majority of the people.

On 24th September 1975, after the return of the special mission of Dr. Santos who had held a meeting with the Indonesian government in Jakarta on 29th August-1st September and on 11th-12th September 1974, the Portuguese government proposed a new policy for solving the East Timor problem by inviting the leaders of the three parties in conflict in East Timor to attend a meeting. This proposal however did not obtain a positive response from UDT and Apodeti as the time was in their view not appropriate, the more so as they were losing in the field, so that they, should there be negotiations, would be easily forced to accept the concept of the winning party. In addition, the absence of a response on their part was above all due to the fact that Portugal did no longer have any power to uphold its authority in East Timor.

While the turbulence continued, there emerged another problem which was serious enough and difficult to deal with, namely the problem of refugees. Since the launching of the 11th August Movement by UDT, the stream of refugees from East Timor had been increasing in numbers. A major part of those refugees entered Indonesian territory seeking protection for their safety from the atrocities of the civil war which was out of control, in particular from the threats of Fretilin who acted increasingly brutally. The number of refugees reached 45,000. In order to help those refugees, Indonesia must provide funds to the amount of Rp 6 billion per day.

Meanwhile, the development of the turbulence increasingly showed that armed power could speak better in the struggle than honesty to observe the rules of the struggle. This has spurred Apodeti to also speak with armed power in the battlefield. The consolidation of members must be stepped up and efforts to obtain arms be intensified in order to counter the raging power of Fretilin. With that objective in view, several Apodeti leaders invited UDT to continue the struggle by siding with Apodeti who supported the aspiration of the people of East Timor to join Indonesia.

Those efforts were seemingly successful, so that from the beginning of September 1975 onwards many UDT district leaders endeavoured to enter Indonesian territory to state their hope to be able to join Indonesia. Even the commander of the UDT troops, Joao Carrascalao (who afterward fled to Portugal), appealed to Indonesia to launch a military offensive soon in order to settle the East Timor problem. However, as explained above, this request could not be granted as Indonesia kept its basic stance. For that reason, in order to achieve their aim, they must continue their struggle and join forces with Apodeti and other elements, such as the Kota and Trabalista parties.

With regard to the Kota party, its former name was APMT (Associacao Popular Monarquica Timorese - Timorese Monarchical Popular Association), which was formed on 8th November 1974 but not recognised by the government of East Timor as it was unable to prove the number of its supporters. Previously APMT could not develop, but after it had become Kota party (Klibur Oan Timor Aswain-Association of the Society of Timorese Heroes) and the admission of a new member as its motor, namely Jose Martins (who afterwards changed his mind and went over to Fretilin as he was dissatisfied with his position in PSTT (Provisional Government of East Timor), mentioned party appeared to be more productive and succeeded in making itself one of the important elements within the anti-Fretilin power constellation.

The aim of forming Kota was to seek support among native elements and to maintain the identity of Timor. According to its leader, Jose Martins, Kota

constituted a struggle partner of Apodeti to counter Fretilin. Trabalista on the other hand, was previously only a labour movement, which developed to become a party.

It was from that determination that a joint force was formed afterwards, consisting of elements of UDT, Apodeti, Kota and Trabalista. It was their offensive that succeeded later to frustrate Fretilin troops. In order to bolster this joint force, young refugees who were in Indonesian territory were mobilised. They were tackled directly by the commander of each party.

In order to have a base for their offensive, on 6th October 1975 that joint force seized Batugede, which was used as a concentration point for Fretilin troops. Concurrently with the fall of Batugede, in several other places the joint force who had been smuggled in, began an offensive that startled Fretilin. On 16th October 1975, the joint force succeeded in seizing Balibo. Further, areas occupied by Fretilin were recovered one by one, including former Apodeti and UDT bases.

On the other hand, Fretilin began losing its line of struggle, particularly when Dili was surrounded by enemies. Nonetheless, on 28th November 1975, Fretilin's Central Committee was still able to force itself in Dili to unilaterally proclaim the establishment of a state they called the Democratic Republic of East Timor, and to appoint Xavier do Amaral as President.

The reaction of the Indonesian government to the unilateral proclamation of Fretilin was reflected in a statement read by Information Minister Mashuri on 29th November 1975 which among other things stated:

1. Indonesia deplores the unilateral action of Fretilin which was opposed to the efforts made continuously by the Indonesian government toward the achievement of self-determination by the people of East Timor through negotiations as agreed to by the three parties in Portuguese Timor, the Portuguese government and the Indonesian government as well.
2. Indonesia deplores the stance of the Portuguese government as conveyed by the Portuguese Minister for Co-operation, Victor Crespo, to the Indonesian Ambassador in Lisbon, Beng Mang Reng Say, on 28th November 1975 which justified the action of Fretilin.
3. Indonesia remains convinced that the future of East Timor should be decided by the whole people of East Timor themselves. And Indonesia cannot tolerate a situation in East Timor that could endanger stability in this region.

In this regard, the position of the Australian government on the unilateral

proclamation of Fretilin was reflected in a statement by Foreign Minister Andrew Peacock on 29th November 1975 to the effect that among other things the Australian government does not recognise Fretilin's unilateral proclamation of Independence and continues to endorse a peaceful settlement. Australia is willing to host such negotiations.

Compared with other neighbouring countries, Australia showed a great deal of attention to the East Timor problem. Since the emergence of this problem, Australia has adopted a stance which upheld the principle of self-determination for the people of East Timor and accepted every decision taken by them. Nonetheless, it also saw the interest of regional stability which has become a matter of principle for Indonesia as well. For that reason, every step by Indonesia to face the East Timor problem always received the attention and scrutiny of the Australian Government.

However, being a country which adheres to liberal democracy, the Australian government found it difficult to restrict such movements, like CIET (Campaign for Independence East Timor -- established at the beginning of November 1974 by prominent figures assembled in the organisation of AICD (Australian Congress for International Co-operation and Disarmament) which since the establishment of the New Order government have often made efforts to undermine the Indonesian government which was supporting Fretilin, though basically that movement may cause strained relations between Australia and Indonesia. This condition was seriously used by CIEF and Fretilin, so that in its development Australia constituted a home base for the Fretilin movement to fight other movements in East Timor wishing to integrate with Indonesia.

Meanwhile, on 2nd December 1975, Fretilin announced the composition of "its cabinet" which was actually only pro forma, as at that time what was called the Democratic Republic of East Timor had practically no territory. Indeed, there were practically no people left to look after.

On the other hand, the joint movement of Apodeti, UDT, Kota and Trabalista responded to the challenge of that unilateral proclamation by Fretilin with a counter proclamation, which among other things stated: On this day, 30th November 1975, in the town of Balibo, the Apodeti, UDT, Kota and Trabalista parties proclaim the territory of East Timor as part of Indonesia and do not recognise the unilateral proclamation of independence of the territory by Fretilin (this proclamation was actually done on 29th November 1975, but signed only on 30th November 1975).

On 3rd December 1975, Foreign Minister Adam Malik, handed the statement of those four parties to President Soeharto. Further, on 4th December

1975, the Indonesian government issued a statement on its position on the latest development in East Timor, which stated among other things:

- Indonesia continues to support Portugal's decolonisation policies which must be implemented in an appropriate, orderly and peaceful way;
- It deplores the unilateral action of Fretilin declaring the independence of East Timor without taking into account the other parties who are also representing the people;
- It respects the rights of, sympathises with and most profoundly understands the proclamation by UDT, Apodeti, Kota and Trabalista parties, who on behalf of the People of Portuguese Timor proclaim integration into the Republic of Indonesia;
- All parties concerned in East Timor should seriously endeavour to achieve the implementation of decolonisation in an appropriate, orderly and peaceful manner;
- It will take steps required to guarantee the security of its national territory, to guard the sovereignty of the state and to protect its people against disturbances from outside and on the basis of anti-colonialism and humanity principles the government and people of Indonesia have a moral obligation to protect the rights of the people of the territory of East Timor so that the process of decolonisation be implemented in conformity with the ideals and desire of the whole people of East Timor;
- It calls on the whole people of Indonesia in general and the people who border the territory of Portuguese Timor in particular to increase their vigilance.

It needs to be known, that before the development of the East Timor problem had evolved into above mentioned situation, negotiations for its settlement were still going on. Among others was the Rome Meeting on 1st - 2nd November 1975 between an Indonesian delegation under Foreign Minister Adam Malik and a Portuguese delegation under Foreign Minister Major Melo Antunes. This meeting was held on the request of Portugal, who apparently realised its inability to settle the East Timor problem on its own. This meeting achieved an agreement among other things on the following points:

- continued recognition of Portugal's authority on the territory;
- the need to achieve a cease fire soon between the parties in conflict;
- the immediate return of 56,000 East Timorese refugees who are in Indonesian territory;
- with regard to the problem of 23 Portuguese citizens held by UDT, Portugal requests for the services of Indonesia for their release.

However, the Rome Meeting merely constituted a sounding of and a confirmation of the stance and position of the respective parties, who apparently could understand each other. Among other things, as included in the Memorandum of Understanding signed on 3rd November 1975:

- The Indonesian government agrees and will help the implementation of the new plan of the Portuguese government to bring the parties in conflict closer to each other in order to seek a peaceful solution;
- The Portuguese government is not prepared to invite Indonesia to participate militarily in the effort to restore security and order for reasons it calls a matter of principle;
- The Portuguese government is of the opinion that Indonesia is one of the most interested parties in the East Timor problem and will continuously consult and co-operate in every effort and in every stage in the decolonisation process of mentioned country;
- The Portuguese government has no intention to internationalise the East Timor problem.

THE PROVISIONAL GOVERNMENT OF EAST TIMOR (PSTT)

Exuberant ardor represented the main asset of the joint force of Apodeti, UDT, Kota and Trabalista since they launched their offensive that could not be halted by Fretilin. They succeeded in seizing towns and areas one by one, so that eventually on 7th December 1975, that joint force, backed by Indonesian volunteers, succeeded in occupying and controlling Dili. The road to Dili was wide open owing to divisions occurring within Fretilin as a result of disarmament on the part of the civilians with the 28th November 1975 proclaimed by the military. This has caused many Fretilin troops to abandon their units and to join the joint force.

Due to the fall of Dili Portugal broke off diplomatic relations with Indonesia as Indonesia was considered having invaded East Timor.

A day after the fall of Dili, the Indonesian government issued a statement explaining its stance on that new development, as follows:

- a. The Indonesian government continues to support the decolonisation of East Timor through an appropriate, orderly and peaceful process.
- b. The unending turbulence in East Timor has disturbed the stability in Indonesia in particular and in Southeast Asia in general.
- c. For that reason the solution of the East Timor problem is in no way a matter of territorial ambitions on the part of Indonesia.

- d. Indonesia fully understands the will of the people of East Timor, having been colonised for 400 years by Portugal, to be independent.
- e. She very much deplores the decision of the Portuguese government to break off diplomatic relations with the Indonesian government.
- f. As a result of the development of the situation in Portuguese Timor, the Rome Memorandum could practically not be implemented. As such, the appropriate, orderly and peaceful process of decolonisation would be more difficult to carry out.
- g. Due to increasingly terrible battles, the number of innocent victims has increased. With that development in view, the Indonesian government is facing the only option not to check the desire of volunteers to help their brothers to free themselves from colonial suppression and terror by Fretilin.
- h. The presence of Indonesian volunteers in the territory of Portuguese Timor is based among other things on these considerations:
 - Pressures of the Indonesian people through the 6th December 1975 statement of the DPR (House of Representatives of Indonesia) urging the government to take firm and concrete actions in settling the problem of Portuguese Timor.
 - A request by the four parties of East Timor as contained in the Declaration of Integration of the people of Portuguese Timor with the Republic of Indonesia of 30th November 1975.

A clarification as mentioned above, in particular relating to the presence of Indonesian volunteers in Portuguese Timor, was also issued on 10th December 1975 to explain the problematic to the international community.

In the meantime, on 12th December 1975, in a solemn and moving ceremony in the NTT Level-I DPRD (The East Nusa Tenggara Regional Representative Council) in Kupang, the former Portuguese enclave of Oekusi declared to join the territory of the Republic of Indonesia and thereby the whole of its people becoming Indonesian citizens. Acting on behalf of the people of Oekusi were: Oekusi Administrator, Jaime dos Remedios de Oliveira; the military commander of Oekusi, Jose Valentines; the local secretary of Apodeti, Joao Martins Corbafo; the local secretary of UDT, Joao Maniquin; and the local secretary of Fretilin, Sebastiao de Almeida. This declaration was cordially accepted by NTT Governor, El Tari, who promised to convey it to the Central Government in Jakarta for further settlement.

On 17th December 1975, Apodeti, UDT, Kota and Trabalista, on behalf of the whole of the people of East Timor, declared the establishment of a Provisional Government of East Timor (PSTT), in order to guarantee the smooth running of the government, the administration, law and security so that the

normal life of the people of East Timor could be restored. This declaration was signed by UDT leader, Francisco Xavier Lopez da Cruz.

Meanwhile, certain prominent figures in Portugal with more realistic views on the problem of East Timor, such as General Antonio Remalho Eanes (afterwards elected President), through the Portuguese Ambassador in New York, succeeded in contacting a PSTT delegation who was there at the time and proposed to hold talks with the PSTT in Dili concerning 23 detainees held by PSTT. He was satisfied with the increasingly stable situation in East Timor and felt that the existence of the PSTT was real and able to control the situation.

Further, the two sides held negotiations in Bangkok on 6-10th July 1976. These negotiations eventually managed to formulate a memorandum which among other things noted Portugal's willingness to pay the salaries of its civil servants not yet paid, counted as from August 1975 up to the moment of the juridical integration of East Timor into the Republic of Indonesia, and to continue the financing of on going projects.

As the objective was not yet achieved, Portugal's new President, General Antonio Remalho Eanes, again sent his special envoy, General Moraes da Silva to hold negotiations with PSTT in Bangkok on 25th July 1976. The result of these negotiations was among other things that the PSTT agreed to surrender 23 Portuguese military men held as prisoners (carried out on 27th July 1976 through the Indonesian Red Cross, together with other Portuguese refugees); Moraes da Silva accepted the integration of East Timor into the Republic of Indonesia. However, according to the latest developments in Portugal itself various views on the East Timor issue emerged.

EAST TIMOR THE 27TH PROVINCE

The Balibo Proclamation of 30th November 1975 constituted a source and base of a new legal order enforced by the joint movement of Apodeti, UDT, Kota and Trabalista. It was therefore a logical consequence that the joint movement, starting from that proclamation, has formed a Provisional Government of East Timor (PSTT) on 17th December 1975 and afterwards the East Timor Regional Representative Council (DPRD) on the basis of Act. No. 1/AD/1976.

Those two high state institutions were deliberately established in order to complement the executive apparatus and the provision of an organ for the accommodation of the will of the people in an objective way. Consequently, In-

donesia's demand that the will of the people should in the first place be legalised could be met and at the same time this also means meeting the demands of the rules of international politics, that the determination of the future of East Timor be based on the will of the people of that territory themselves.

On 31st May 1976, the East Timor Regional Council of Representatives which was elected in conformity with the principles of traditional democracy which in a special way followed the customs of East Timor, held an open plenary session to determine the future of East Timor. The session, chaired by Speaker Guilherme Maria Goncalves, was attended by all 30 members (representing 13 districts and the capital), the invitees, namely Chief Executive Arnaldo Dos Reis Araujo and his Deputy, Lopez da Cruz, the representatives of friendly countries, and foreign journalists.

That open plenary session of the DPRD, convened with the sole agenda to discuss the integration of East Timor with the Republic of Indonesia, succeeded in issuing a decision which was unanimously accepted, i.e. a petition to urge the Government of the Republic of Indonesia to implement the integration of the territory of East Timor into the territory of the Republic of Indonesia.

With a view to implementing that decision of the plenary session of the DPRD, on 5th June 1976, a large delegation of the people of East Timor, consisting of 41 people led by the Chief Executives of the SPTT, Arnaldo dos Reis Araujo, arrived in Jakarta in order to hand over the Petition of the People of East Timor to integrate with Indonesia. Further, on 7th June 1976, the delegation met with President Soeharto at the Merdeka Palace to hand over the petition. On that occasion, the President stated that he would send a team consisting of members of the government and the DPR (House of Representatives) and various social organisations to once again ascertain the will and wish of the people of East Timor before that territory officially joins the Republic of Indonesia. This was done so not because the Indonesian government did not believe in the Balibo Proclamation, or in the petition received, or was in doubt about the leaders of East Timor, but with a view to enabling the people of Indonesia to see for themselves and to speak heart to heart with their brothers in East Timor.

And on 24th June 1976, the delegation of the Indonesian government, numbering 36 people including 9 from the DPR and respectively 1 from KNPI (National Committee of Indonesian Youth), HKTI (Association of the Family of Indonesian Farmers), PBF (The All Indonesia Federation of Labour), HNSI (The All Indonesia Association of Fishermen) and PGRI (Association of Indonesian Teachers) and led by Minister of Home Affairs, Amir-

machimud, arrived in Dili to see and to get a direct picture of the true facts relating to the will of the people of East Timor to join the people of Indonesia within the unitary state of the Republic of Indonesia. On the same day, the delegation, accompanied by several foreign representatives and journalists, was able to complete its task in a satisfactory manner and to return to Jakarta.

Further, during the Plenary Cabinet Session of 29th June 1976 chaired by President Soeharto, after hearing the report of the Chairman of the Delegation to East Timor, he came to the conclusion that the Petition of the PSTT/DPRD of East Timor he received on 7th June 1976 from the delegation of the people of East Timor has truly reflected the will of the people of East Timor. On the basis of mentioned conclusion, the President decided:

- a. To respond positively and to accept the integration declaration of the people of East Timor.
- b. The implementation of the integration will be done through a procedure which is not contrary to the constitutional process.
- c. Within a short time, the Indonesian government will submit to the DPR a special bill on the acceptance/integration of East Timor into the territory of the Republic of Indonesia for approval.
- d. As a consequence of that integration, the President instructs all authorities within the Republic of Indonesia to assist the people of East Timor in implementing development in East Timor.

Above mentioned bill and its clarification were submitted to the DPR on 1st July 1976. The bill which was discussed from 12th July in the lobbying of Commission II did not undergo any fundamental changes but editorial ones only. The bill consists of four articles. Article 1 reads: "To approve the integration of East Timor into the Unitary State of the Republic of Indonesia," Article 2: "To establish Timor Timur Province/Level I Region the territory of which is the former colony of Portugal;" Article 3: "Matters relating to the implementation of the two above mentioned provisions will be further regulated through a special legislation taking into account the situation and developments in East Timor." Article 4 states that this Act comes into force at the time of its promulgation.

On 15th July 1976, through its Plenary Session, the DPR agreed by acclamation to the approval of mentioned bill to become the act on the Integration of East Timor into the State of the Republic of Indonesia and the Establishment of East Timor Province/Level I Region (Act Number 7 of 1976).

Further, the signing of mentioned Act Number 7 of 1976 by President Soeharto at Bina Graha on 17th July 1976, means to the Indonesian people in

general and the people of East Timor in particular that the process of decolonisation has been completed. And East Timor has become the 27th province of the Republic of Indonesia. Consequently, preceded by the singing of the national anthem, "Indonesia Raya" in the building of Timor Timur Level I Regional Representative Council, Dili, Minister of Home Affairs Amirmachmud installed the first Governor of East Timor, Arnaldo dos Reis Araujo, and his Deputy, Francisco Xavier da Cruz, and the Speaker of Level I DPRD with his Deputy and 36 members.

THE ROLE OF THE UNITED NATIONS

It is worthy of note that the UN dealing with the problem of East Timor has not only been insignificant, but there is also the impression that the UN has been unable to deal with and to settle the problem of conflicts of decolonisation. Although its efforts have achieved the level of the unanimous acceptance of a resolution by the Security Council and in addition a special representative of the UN Secretary General has been sent, namely the UN Director General in Geneva, Vittorio Winspeare Guicciardi, as an observer to East Timor, who had at the same time the task to contact all parties involved in mentioned problem, facts have shown that all of those did not have any effect on the process of settling the problem of East Timor. The problem of East Timor has proceeded and developed on its own through patterns based on existing objective facts in East Timor, whereas the UN with its resolutions could be regarded as being mere lip service within the order of the obligations of that world organisation in regard to international problems submitted to her and to be faced by her.

The error committed by the UN in dealing with the problem of East Timor has been probably due to the fact that this world body did not adequately consider the problem she was facing on existing objective realities inherent in the problem. As a result the effect of UN's endeavour was very small if any. Meanwhile, the problem itself continued to proceed and to develop, so that the UN decisions as enunciated in the resolutions of the Trusteeship Committee of 11th December 1975, the resolutions of the General Assembly of 12th December 1975, and the resolutions of the Security Council of 22nd December 1975, and even the resolution of the Security Council of 22nd April 1976 did have no meaning at all with regard the process of settling the problem of East Timor.

After the process of decolonisation had been completed and East Timor had officially become the 27th province of the unitary state of the Republic of Indonesia, the UN still discussed East Timor as a problem to be solved. The

first discussion after integration took place in the forum of the Committee of 24 (on decolonisation) on 8th September 1976, which was responded to by Indonesia as having the wrong address since the colony called East Timor no longer existed. In addition, Indonesia also asserted that the problem of East Timor represented Indonesia's internal affair. Nonetheless, on 17th November 1976, mentioned Committee approved a draft resolution which rejected the claim of East Timor as part of the territory of the Republic of Indonesia and called on Indonesia to withdraw its troops from East Timor. And of course, Indonesia rejected such a resolution as the integration of East Timor had been the choice of the people of East Timor themselves. For that reason, although the following year East Timor was still debated in the sessions of the UN, it was only a futile effort as it neither has any significance anymore nor could it change the reality.

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Regional Development and the Fifth Malaysia Plan (1986-1990)

Morshidi SIRAT

Regional approach to development was officially introduced during the Third Malaysia Plan, 1976-1980. How and who first introduced this approach to development in Malaysia is debatable. Nevertheless, World Bank's consultants to the Malaysian Government, especially the Economic Planning Unit of the Prime Minister's Department, were the main proponents of this approach to development and possibly they were the first few planners that could have introduced regional planning strategies, such as the infamous growth poles to the Malaysian Planning Scene.

Before 1976 regional planning concepts and the related strategies were introduced by consultants (such as shankland cox partnership and Huntington Technical Services) to the various Regional Development Authorities created in the late 1960s and early 1970s. But even then not until the introduction of the Third Malaysia Plan that the importance of the regional approach was readily recognised. Regional differential in welfare were basically tackled in an ad-hoc manner and furthermore the institutions and machinery of regional planning were still at an infant stage. There was clearly a gap between planning at the national level and planning at the local level. The introduction of the Town and Country Planning Act of 1976 was aimed at narrowing this gap. This Act is essentially based on the Town and Country Planning Act of 1968.¹

Prior to the 1976 ACT regional development planning were mainly planning at the state level which is not exactly a regional entity. Unlike the regional con-

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¹Alden J.D. and Awang A.H., "Regional Development Planning in Malaysia," *Regional Studies*, vol. 19, no. 6, 1985.

cept, states refer to political entities.² Planning on the state basis have serious limitations and these have led to the improper implementation of projects. Monitoring of the effects of projects were also difficult because growth impulses recognise no state political boundaries. Projects, especially development projects on an multi-state basis, can lead to a reduction in overlapping investments and better still the duplication of infrastructural projects³ will be greatly minimised. Once the government recognised the importance of the regional approach there has been no looking back. It seems that the government is of the belief that this is the only approach available to reduce regional inequality and thus achieve national unity. The slogan of the day was national unity through regional development. This is in fact reiterated in the Fifth Malaysia Plan but the manner in which this is to be achieved is less vociferous than the previous national plans. Obviously the government has finally come to term with resource constraints⁴

ECONOMIC SLOWDOWN AND REGIONAL DEVELOPMENT

The plan states that the country will continue to experience resource constraints and in view of this regional development during the fourth and last segment of the 20 year Outline Perspective Plan (OPP), 1971-1990 will reflect resource scarcity. It is untimely that during the last segment of the OPP the government has to put a plug on the various projects that has been identified. This is the last chance for the government to fulfill the spirit and purpose of the New Economic Policy (NEP). But the government has no other alternative. With national reserves at the lowest level regional development will be directed towards the consolidation of efforts to ensure greater efficiency of resource utilisation.⁴

The National Agricultural Policy (NAP) introduced sometime in 1984 and the recent introduction of the Industrial Master Plan (IMP) will be the basis for the government's plans to revitalise the agricultural sector and strengthen the industrial base. At the time when national income is not that pleasing the government has decided that regional approach based on multi-state⁵ regions,

²Government of Malaysia, *Fifth Malaysia Plan, 1986-1990* (Kuala Lumpur: National Printing Department, 1986).

³*Fifth Malaysia Plan.*

⁴*Ibid.*

⁵Malaysia can be disaggregated into six regions namely Northern Region (comprising the states of Perak, Perlis, Pulau Pinang and Kedah); Central Region (comprising the states of Selangor, Melaka, Negeri Sembilan and the Federal Territory of Kuala Lumpur); Eastern Region (comprising the states of Kelantan, Terengganu and Pahang); Southern Region (comprising the state of Johor only); Sabah Region (comprising the state of Sabah and the Federal Territory of Labuan) and Sarawak Region (comprising the state of Sarawak only).

first introduced during the Third Malaysia Plan, 1976-1980 is the best regional framework for the nation and this move is timely. The regional approach, with broader spatial units as a basis for planning, enables states which are poor in resources and experience growth constraints to benefit from the overall development efforts undertaken in the region.⁶ But this is not that simple in the case of Malaysia. With states' control over land, forestry, and mineral resources to name a few⁷ choosing sites for the development of resources based industries will be quite tricky.

With Federal State relations not at the best of terms at times the states need more than just persuasions to contribute to the successful implementation of a project or group of projects which are far beyond their respective boundaries. Existing agencies must be able to re-orientate their respective basic planning and implementation approach to incorporate the broader regional perspective.⁸ In addition these agencies, must be able to command respect and support from the various states that make up a particular region. The Plan is correct in suggesting that the implementation machinery of the country need to be streamlined in order to effectively operationalise this regional approach to development. This means that some agencies have to be done away with and in others the manpower have to be rationalised. This will be difficult for the Off Budget Agencies (OBA) which are used to unlimited financial resources. These agencies are the subject of numerous debates in Parliament because of the nature of their project investments. The economic situation will affect the government's effort to balance out regional imbalances. It is hard to implement regional policies when the economy is stagnating. But, another way of looking at it, is that with resource constraints the government will always be on the look out for better investment. This has not been so in the past.

During the Third and Fourth Malaysia plans the strategies for region development were bold and the government's tenacity in meeting the objectives of the NEP through regional development is very clear. But the government's commitment for massive projects to accelerate regional development during the Fifth Malaysia Plan seems to have mellowed down. If during the Fourth Malaysia Plan the government was of the opinion that "Much more ... remains to be done ... to accelerate development of the less developed regions through the optimal exploitation of their resource potential and the provision of social services to bring about a more equitable distribution of socio-economic benefits accruing from a growing economy."⁹

⁶*Fifth Malaysia Plan.*

⁷Federal and state powers and functions are clearly set out in Part VI of the Federal Constitution.

⁸*Fifth Malaysia Plan.*

⁹Government of Malaysia, *Fourth Malaysia Plan, 1981-1985*, National Printing Department, Kuala Lumpur 1981.

During the Fifth Malaysia Plan the economy will be stagnating and there will be less socio-economic benefits to redistribute. The Mid Term Review (MTR) of the Fourth Malaysia Plan in 1984 was an early warning signal of what is to come in the last segment of the OPP. Even though much was invested in the way of regional equality the MTR recognised that only minimal success was achieved towards the objectives of reducing regional imbalance and new strategies of regional development have to be formulated. The regional development strategies such as resource and new land development, in-situ rural development, industrial dispersal strategy and a deliberate programme of rural urbanisation and creation of new growth centres cannot continue to be pursued uncritically. Established machinery for the formulation and the implementation of regional policies and re-assessment. Some agencies or organisations exist without clearly defined areas for development and there are others without identifiable functions and thus lack a sense of direction. Some literally try to usurp the functions of established agencies.

REGIONAL DEVELOPMENT STRATEGIES IN THE LATE 1980s

The plan's key word is co-ordination of development efforts. This has become an adage already. Plan after plan the very same issue is stressed. It seems that over the years the government has been unable to co-ordinate developments due to inter-departmental rivalry and uneasy relations between federal and state departments. The economic slow down has sobered the government in a way. Industrial dispersal as implemented during the previous two national plans will be stopped. Concentration of development, especially of industries, will be the order of the day. The plan moves to de-emphasize states¹⁰ in favour of regions for planning that has direct implications on industrial locations and the selection of growth centres for priority development.¹¹

Interstate co-operation in joint programmes as stated in the plan will ultimately minimise inter-state competitions for limited resources. The strategy for industrial dispersal as implemented in the previous plan has established countless industrial estates in various states and these states, not only compete among themselves for the limited investments from local and foreign firms, but worst still, the various industrial estates within a state have to out do each other for the few investments that comes to the state. Usually the state government will give priority to those industrial estates established by the State Economic Development Co-operation. These are the most strategic industrial estates in terms of location. Those established by the Regional Development

¹⁰*Fifth Malaysia Plan.*

¹¹*Ibid.*

Authorities (Federal Agencies) will remain unoccupied. The second issue is the oft-heard statement in numerous plans of the developed countries i.e. "to strike a balance between people-prosperity and place-prosperity strategies."¹² In accordance with this, the plan recommends that "within each region, steps will be taken to restructure the agricultural sector in order to introduce new vigour ...and modernise the rural areas through the rural urbanisation programmes."¹³

With the dismal performance of the country's golden crop i.e. oil palm and other export crops restructuring the agricultural sector will be a long and difficult task. Even tobacco, the main money-earner for the small farmers who used to plant paddy, are susceptible to inelement weather conditions which has become unfavourable lately. Emphasis on the private sector to develop urban centres at a time when private investment is at the lowest ebb will mean whatever investment that comes in will be welcomed and rules and regulations regarding development of projects by the private sector will be less stringent. The private sector can in fact "blackmail" the government to agree to their terms. In fact the plan states that, "constraints to private sector investment will be removed so that urban centres are able to increase their absorptive capacity to meet the rapidly expanding labour force."¹⁴

Thirdly, the plan, stresses on population mobility as a means to reduce inter-regional disparity. Despite the unfavourable experience regarding the establishment of new urban centres as centres of growth and despite the fact that these new centres failed to absorb urban-bound migrants the plans still believe in the absorptive capacity and potential of new centres. The plan hopes to increase the income level of those remaining in the region through agricultural revitalisation. But bearing in mind that those who are left behind are the old and those less capable of acquiring new skills trying to raise their income level will be frustrating. Those who are left behind are those who lack the potential and they are too old to make a move.

The plan acknowledges that "... those who moves tends to be young, better educated and more productive, ..."¹⁵ In the past the objective was to forestall rural-urban migration and realising that this is not possible the present plan aims to "facilitate the development of a desirable internal migration pattern within regions and to this end positive measures to promote such movements will be formulated."¹⁶ To encourage intra-regional migration or movements

¹²*Ibid.*

¹³*Ibid.*

¹⁴*Ibid.*

¹⁵*Ibid.*

¹⁶*Ibid.*

"... centres in a region will be developed to attract the rural-urban migrants..., those who move from small to larger towns, thereby reducing the inter-regional flow of migrants from less to the more developed regions..."¹⁷ This strategy underestimates the pattern and nature of rural-migration in many developing countries. The attraction to the larger metropolis still dominates and even so in the future and this will be true even in the case of Malaysia.

NEW ELEMENTS IN REGIONAL DEVELOPMENT STRATEGIES

For the first time the government give full cognizance of the role and importance of the spatial and settlement system in realising the objectives of regional development. Before this, regional development is basically economic development at the sub-national scale. Important geographical concepts, such as spatial distribution of settlement or the settlement system, were only incorporated in the national development plans sparingly. There was no conscientious effort to include the settlement system as part and parcel of the regional development effort. This was so because of the non-existence of a national urbanisation plan that can outline the settlement pattern in the years ahead. With the completion of the National Spatial Plan during the early part of the Fifth Malaysia Plan integration of spatial planning with the planning and implementation at the macro, sectoral and project level will be more organised and co-ordinated.¹⁰ Other national level plans such as the Industrial Master Plan and the National Agricultural Policy will be given full cognizance, but there are doubts regarding the appropriateness of these plans in light of the present and future downturn in world market demands.

Spatial policies to be developed must be different from those of advanced economies. Developing countries have the habit of copying foreign policies with little or no improvisation at all. Nevertheless there are some guidelines as to how to formulate an appropriate National Urbanisation Strategy (NUS). According to Renaud¹⁸ the most crucial prerequisites for an effective NUS are political commitment at the highest level and appropriate adjustments of the governmental structure and modes of operation. Renaud continues further that commitment to better policies for urbanisation is likely to bring greater convergence and interaction between the implicit effects of national policies, explicit spatial policies and policies addressed to the problems of the largest cities.

¹⁷*Ibid.*

¹⁸Renaud B., *National Urbanisation Policy in Developing Countries*, A World Bank Research Publication, 1981.

Some of the regional development strategies outlined in the Fifth Malaysia Plan contradict past experiences and if these strategies are to be made workable and in line with the NUS some strategies need to be re-evaluated. Otherwise the regional development strategies will negate the benefits of a NUS. The plan is correct in not attempting to spread resources over all regions and cities because this is not likely to be effective after all. State governments will always be pressuring for resources and it needs a strong centralised government to resist such pressures. The problems of lagging regions must be addressed to on the basis of growth potentials i.e. in terms of the ability of centres in the lagging regions to create agglomeration economies. This poor and under-developed region must have a well developed urban system to transmit growth impulses. New towns or new townships, as it is known in Malaysia, should be abandoned. They are wasteful and inefficient ways of tackling the problems of rapid urban growth. Thus Malaysia must have a NUS in advance of any effort to develop her regions. NUS should be the basis for regional development planning and not the other way round.

CONCLUSION

There are voluminous literature on the reasons why Malaysia has failed to achieve significant reduction in regional welfare differentials. The Fifth Malaysia Plan and the related regional development strategies try to make good whatever shortcomings of the previous plans in terms of narrowing the gap of regional inequality. Malaysia still believes in the spirit and purpose of regional development planning as first outlined in the Third Malaysia Plan, 1967-1980. Looking back to the events that led to the introduction of the NEP and subsequently the strategies of regional development as an instrument with which to achieve some of the objectives one can understand why the government is very keen on promoting and continuing with regional development planning.

The risk of not doing is too great for any decision makers or politicians to gamble with. Whatever success that has been achieved so far should be used as a basis to carry on with implementing the regional development strategies that have been identified as appropriate. With the kind of political stability and political continuity decision-makers should not rush to achieve results. Some positive effects of regional policies might take longer to materialise and numerous researches have proven this. The plan is right in stressing that in the final analysis implementation of regional policies requires the support from both the government agencies involved in development as well as the people. To keep the government departments to toe the line, political patronage is required. The government's sincerity and public-service oriented nature of the government are vital in order to mobilise people's support. The government needs to work on these issues urgently. The Fifth Malaysia Plan is the most challenging plan of all since this plan will determine what is to come after 1990.

The Kampuchean Issue Revisited

C.P.F. LUHULIMA

INTRODUCTION

The eight year of the Kampuchean conflict did not open with large-scale, dry season Vietnamese assaults against Khmer resistance forces and camps along the Thai-Kampuchean border and the occasional incursions into Thailand (the first major troop foray occurred on 23rd June 1980)¹ "in blatant disregard for and open violation of Thailand's sovereignty and territorial integrity"² as was the case last year. The absence of the much discussed and expected assaults may have been caused by the fact that, as Dr. Mochtar Kusumaatmadja put it, "the Vietnamese no longer have the capability to destabilise. They dissipated that potential in Kampuchea."³

Yet despite the numerous on-going direct and indirect diplomatic exchanges ever since the conflict started in December 1978 between the ASEAN states and Vietnam to achieve a peaceful, independent and non-aligned Kampuchea, a minimally, mutually acceptable and satisfactory formula have not been found. The situation in Kampuchea cannot be reversed both in the short and medium term, except through major military operations which none of the ASEAN countries nor the major powers wish to embark upon. Thus the

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¹Joint Statement of the ASEAN Foreign Ministers on the situation on the Thai-Kampuchean Border, Bangkok, 25 June 1980 in *ASEAN Documents Series 1967-1986*, Revised Edition (Jakarta: ASEAN Secretariat, 1986), p. 452.

²Joint Communique of the Eighteenth ASEAN Ministerial Meeting, Kuala Lumpur, 9 July 1985, para 31 in *ASEAN Documents Series*, p. 108.

³*Asiaweek*, May 4, 1986, p. 39.

presence of Vietnamese troops in Kampuchea has been accepted for the foreseeable future which means that the only realistic objective for ASEAN at this point of time is to seek reduction of Vietnamese military presence in stages; first along the Thai-Kampuchean border and then in Kampuchea as a whole. The current stalemate seems, however, also to suggest that the Heng Samrin regime is becoming a permanent segment of the Southeast Asian political landscape.

Since ASEAN's immediate and long term interest is to create a peaceful and stable environment conducive for development and to fashion a structure of relations for the integration of Vietnam, Kampuchea, Laos and Burma into a Southeast Asian regional order, alternative policies of the kind proposed above should be pursued. The Kampuchean conflict has become an obstacle to their implementation in at least two respects: firstly, it has shaken ASEAN's trust and confidence in Vietnam to co-operate towards achieving a conducive regional order for national and regional development. Secondly, the conflict has also meant a setback for ASEAN in its efforts to structure their relations with the major and superpowers. This is certainly in contradiction to the basic tenet of ZOPFAN which is to fashion a set of relations with those powers in the direction of their balanced presence in Southeast Asia, both *de facto* and *de jure*. The solution of the Kampuchean conflict is thus "vital to the implementation of ZOPFAN which will contribute to the peace and security of the Southeast Asia region and ensure for all states in the region their independence and sovereignty and freedom from foreign interference."⁴ President Soeharto's keynote address at the Seventeenth Annual Ministerial Meeting in Jakarta in 1984 contains an unequivocal reminder: "ASEAN has firmly determined not to allow itself to become an arena of conflict between the superpowers which is definitely against our interest. For this reason, therefore, ASEAN must continue to reflect the resolve of its member states to chart and to determine their own future. ... It is also for this reason that ASEAN is determined to establish this region as a zone of peace, freedom and neutrality. It is in this framework that we cannot remain indifferent towards a situation which disrupts the stability and peace in our region."⁵

ASEAN INSTRUMENTS OF CONFLICT MANAGEMENT

A comprehensive political settlement of the conflict with the primary objective of restoring Kampuchea's independence and sovereignty is a *conditio sine qua non* for a more durable peace in Southeast Asia. An important

⁴Joint Communique of the Thirteenth Foreign Ministers Meeting, Kuala Lumpur, 25-26 June 1986, para 21, in *ASEAN Documents Series*, p. 74.

⁵*Seventeenth ASEAN Ministerial Meeting and Post-Ministerial Meeting with the Dialogue Countries*, Jakarta, 9-12 July, 1984, p. 11.

ingredient in the process is the search for a political settlement of the ASEAN – Vietnam confrontation. Both ASEAN and Vietnam seem to envisage such a settlement as necessarily being to structuring of Kampuchea's future with the legitimate security of both opponents in mind, which as a matter of fact boils down to the security concerns of Thailand and Vietnam. ASEAN's major arguments on the basic components of such a future structure are that the Cambodians should "determine their future by themselves,"⁶ and "lead their national existence free from interference by Vietnam and other foreign forces."⁷

Since its first response to the Vietnamese invasion of Kampuchea, ASEAN has exhibited conspicuous political coherence and diplomatic solidarity in insisting on a comprehensive settlement of the Kampuchean issue on its terms and played this role with great virtuosity. They have functioned effectively in multilateral fora except perhaps in the Non-Aligned Movement which has been dominated by Vietnam's allies and friends. In its dialogues with its partners, Australia, Canada, the EEC, Japan, New Zealand and the United States, ASEAN has been able to extract political backing for its Kampuchean diplomacy. These moves have institutionalised and further strengthened ASEAN's machinery for political consultations.

ASEAN's strategy towards Kampuchea has initially followed a classic carrot-and-stick approach. Vietnam is offered a variety of fora and formulae for resolving the Kampuchean issue which is primarily couched in terms of the final Declaration of the United Nations International Conference on Kampuchea (ICK) of July 17, 1981. This statement called for the "withdrawal of all foreign forces from Kampuchea in the shortest time possible and under the supervision and verification of a United Nations peace-keeping force observer group."⁸

This approach is, however, offset by two disincentives. An important ingredient in ASEAN's strategy to persuade Vietnam to the political resolution of the conflict is the forging of the coalition of the three guerilla factions sheltering along the Thai-Kampuchean border into the Coalition Government of Democratic Kampuchea (CGDK) in Kuala Lumpur in 1982. These groups have separate staging areas near the Thai-Kampuchean border and operate independently within Kampuchea. They have increased their capabilities and extended their areas of operation through Chinese and ASEAN military assistance. Yet,

⁶Joint Communiqué of the Twelfth ASEAN Ministerial Meeting, Bali, 28-30 Juni 1979, para. 14, *ASEAN Documents Series*, p. 67.

⁷*Ibid.*, para 15.

⁸ICK Declaration on Kampuchea, para 5, New York, 17 July 1981, in *Documents on the Kampuchea Problem 1979-1985* (Bangkok: Ministry of Foreign Affairs, 1985), p. 123.

ASEAN's problem from the very beginning of its political and diplomatic manoeuvres to restore Kampuchean independence was to disengage itself from the direct political and diplomatic back-up of the Khmer Rouge while simultaneously keeping them in the field fighting the Vietnamese. The Khmer Rouge has in the process become a very convenient bargaining chip for ASEAN vis-a-vis Vietnam. Its fighting power is ASEAN's goal to bring Vietnam to the conference table, although ASEAN remains firm that the Khmer Rouge will not be returned to power through the CGDK.

Secondly, since 1979 ASEAN has preserved an international coalition of over 100 states opposed to Vietnamese occupation of Kampuchea which have backed up ASEAN's annual UN resolution calling for Vietnam to totally withdraw its troops from Kampuchea. The coalition also supports the seating of the CGDK, thus denying Heng Samrin's admittance to the UN. ASEAN has also persuaded all countries to freeze non-humanitarian assistance and financial credits to Vietnam and simultaneously withheld recognition of the PRK. The fact that the political structure of Democratic Kampuchea is no longer solely the Pol Pot regime has facilitated ASEAN's annual defence of its seat in the United Nations. Although the ritual at the UN may be denoted as a time-consuming and above all as a fruitless exercise, it is nevertheless a continuing moral victory for ASEAN to disclaim Vietnam the full international bearing of its action.

The prospect for a political solution appears less radiant when the terms of the conflict are linked to the broader issues of regional security substantiating the perceptions, interests, and policies of the actors of the region. Thus Chinese and Soviet interests have conveyed to the Kampuchean issue a crisis quality beyond the power of the local actors to manage.

ASEAN's policy of ZOPFAN has as a presumptive goal the insulation of the region from great power conflict. It is a concept that has over the years evolved to become a prescription for achieving a regional balance of power; it is a concept which aims at reducing or restricting the level and intensity of the big powers' achievement, while acknowledging their legitimate interests in Southeast Asia and thus allowing their commensurate involvement. At the basis of this concept is the doctrine of national and regional resilience by which is meant that the ASEAN states singly and collectively mobilise total state capabilities -- political, economic, technological, social, cultural and defence capabilities -- in the pursuit of security and prosperity and thus link security and prosperity on the domestic to that on the regional level. The Kampuchean conflict is thus a set-back in terms of the various endeavours of the ASEAN countries to structure their relations with the big and superpowers in the region; some ASEAN countries have felt the need to resort to certain major powers for security guarantees.

It was the question of China's role in Southeast Asia that has, as a matter of fact, severely put to proof ASEAN's objectives and consensus system to achieve them. China's invasion of Vietnam in February 1979 activated ASEAN into calling for the latter to withdraw its forces from Kampuchea and for China to withdraw from the northern part of Vietnam. Both Vietnam and China were not amenable to ASEAN's appeal. For Indonesia and Malaysia, China's willingness to resort to force in the pursuit of political objectives reinforces suspicions about its intentions in Southeast Asia.

The different threat perceptions became manifest by early 1980. Quite a number of Indonesian officials, both civilian and military, held the view that the Indonesian and Vietnamese nations, born of an anti-colonial revolutionary struggle, enjoyed some sort of special relationship. Dr. Mochtar Kusumaatmadja, for instance, felt that Indonesia could build on this relationship to establish a bridge to Hanoi. Thus Indonesia has a propensity to view Vietnam as a state with a potentially indispensable part to play in the containment of China in the context of the ZOPFAN ideal, different from Thailand which --for well-remembered historical and geostrategic reasons -- views it as an intrinsically hostile state which is to be contained at all cost.

Political changes in Thailand in February 1980 -- the resignation of prime minister Kriangsak Chomanan, long critical of Thai and ASEAN confrontational styles, and whom the Indonesians highly respected -- led President Soeharto and Prime Minister Hussein Onn to meet in Kuantan at Peninsular Malaysia's east coast. The Kuantan Principle was essentially a reiteration of the ZOPFAN declaration with special application to Kampuchea. Both Soeharto and Hussein Onn expressed their concern over the Soviet role in manipulating Vietnamese overtures in Kampuchea while at the same time recognising Vietnam's security concerns vis-a-vis China. They declared that to bring peace in the region, both the Soviet Union and China must distance themselves from Indochinese affairs. Subsequent interpretations indicated that it refers to all outside powers, not just to China and the Soviet Union. "It was the specific mention of the Soviet Union and China that was unnecessary and got the Vietnamese excited."⁹ The Kuantan Principle has never become an ASEAN position as a consequence of Thai and Chinese opposition. Indonesia's and Malaysia's views never changed substantially; they identified the big power penetration of Southeast Asia as the major problem which need to be formulated into a strategy and were prepared to accept Vietnamese domination of Kampuchea in return for peace at the Thai-Kampuchean border. An increasing Chinese and Soviet activity, on the other hand, reduces the prospect of realising ZOPFAN ideal. Thus Indonesia and Malaysia have a propensity to view Vietnam as, potentially, an indispensable part of its strategy of the

⁹Nayan Chandra interviewing Mochtar Kusumaatmadja, *Far Eastern Economic Review*, October 17, 1980, p. 42.

containment of China. If the Indonesian dialogues with Vietnam and the moderate condemnations of Vietnam for their various incursions into Thai territory can be considered as indicants of Indonesia's "unhappiness" with the Thai's imposition of its front-line security requirements upon the other ASEAN countries and given Indonesia's increasing tendency to assert its own security interests, then the prolongation of the Kampuchean crisis may augment the discord since it will paripassu increase Chinese and Soviet involvement beyond their legitimate interests.

An endeavour to refashion ASEAN's relations with Vietnam was again made prior to the 1983 United Nations General Assembly session. The central issue in the "Joint Appeal" of September 21, 1983 "released in the capital city of all five ASEAN countries" remains "the survival of the Kampuchean nation and the restoration of its independence and sovereignty, whereas its essential ingredients are "the total withdrawal of foreign forces, the exercise of self-determination" through internationally supervised elections and "national reconciliation" to which all Cambodians and all political groups should strife.¹⁰ The materialisation should necessarily be non-confrontational: partial troop withdrawals on a territorial basis as part of the comprehensive political settlement which include the formulation of a programme of assistance with the help of the international community. The "Joint Appeal" also stressed for the first time in an ASEAN proposal the need for Vietnam and the major powers, particularly "the five permanent members of the UN security council ... to join them in intensifying efforts to achieve a just solution whereby Kampuchea can emerge once again as an independent and sovereign nation" *de facto* and *de jure*.

Some of the items in the appeal have been re-interpreted by Indonesia's president Soeharto and offered to Vietnam's foreign minister Nguyen Co Thach when he visited Jakarta in March 1984. The new interpretations refer to the establishment of an international force which consists of parties agreed upon by both Vietnam and ASEAN to supervise the withdrawal of Vietnamese troops and the act of Kampuchean self-determination and to ASEAN support of national reconciliation in Kampuchea in which the Heng Samrin faction is included.¹¹ At their special meeting of May 1984 the ASEAN foreign ministers pointed out that "national reconciliation among the Kampuchean people will be conducive to the success of efforts towards a political solution of the Kampuchean problem,"¹² and the idea of national reconciliation of all the Kampuchean factions including the Heng Samrin group.

¹⁰*Documents of the Kampuchean Problem 1979-1985*, p. 104.

¹¹Jusuf Wanandi, ZOPFAN and the Kampuchea Conflict, in *Indonesian Quarterly*, vol. XIII, no. 2 (April 1985), p. 210.

¹²ASEAN Foreign Ministers Statement, para 5, Jakarta, 8 May 1984, in *ASEAN Documents Series*, p. 105.

Special approaches to Vietnam by Indonesia in an effort to find ways to better understanding between ASEAN and Vietnam and to find a solution to the Kampuchean problem started in early 1984. General Moerdani's February visit to Vietnam reflected efforts to find alternative ways of solving the Kampuchean problem. As he was quoted in the press, Murdani's statements were interpreted as contradictory to the accepted ASEAN position and thus worried the Thai government. Vietnam's prime minister Phan Van Dong was quick in appraising the Murdani visit as a new step in Indonesia-Vietnam co-operation, a statement from which Mochtar Kusumaatmadja was equally quick to distance himself.¹³

The first Indonesian-Vietnam seminar was held in Hanoi on February 26-28 sponsored jointly by the Centre for Strategic and International Studies in Jakarta and the Vietnam Institute of International Affairs in Hanoi. The Indonesian position put forward at the conference was that it will not sacrifice ASEAN solidarity and integrity and that it will hold on to the ASEAN "Joint Appeal." Conversely, Indonesia would not isolate Vietnam and bleed it white. While it demands that Vietnam should pull out its forces from Kampuchea in accordance with the preamble to its Basic Law of 1945 as well as the basic principles which govern relations among nations, it acknowledges that Vietnamese legitimate security interests should be guaranteed.

Indonesia's special link was endorsed by the special meeting of ASEAN foreign ministers of May 1984: "Indonesia should act as an interlocutor between ASEAN and Vietnam."¹⁴ Mochtar Kusumaatmadja's 12 point proposal was necessarily an Indonesian contribution towards the solution of the Kampuchean crisis. The strategic framework proposed is in accordance with ASEAN's concept that the USA should be brought into the strategic equation hitherto limited to the Soviet Union and China. Normalisations of relations between the USA and Vietnam should be endeavoured by way of the settlement of the MIA. The strategic objective is to have an independent, free, and non-aligned Kampuchea. The other points are the time frame for the withdrawal of the Vietnamese forces, the format of a limited conference, talks between the main protagonists, the CGDK and Vietnam; national reconciliation to include the Khmer Rouge because of the Chinese connection, and Heng Samrin because of the Vietnamese; total withdrawal of Vietnamese troops; the creation of a safety zone and an international force; international control commission; election/referendum under international supervision, and finally, the establishment of a government of national reconciliation.¹⁵

¹³*Jakarta Post*, 21 February 1984.

¹⁴Opening Statement Minister S. Dhanabalan at the Seventeenth ASEAN Ministerial Meeting, *17th ASEAN Ministerial and Post-Ministerial Meeting with the Dialogue Countries*, Jakarta, 9-12 July 1984, ASEAN Secretariat, 1984, p. 25.

¹⁵Mochtar Kusumaatmadja, "The Prospects for Peace in Southeast Asia, *Jakarta Post*, 19-20 December 1985.

Malaysia also played an important part in finding solutions. In early 1985 it entered a new phrase into the ASEAN diplomatic lexicon: proximity talks, a concept of indirect negotiations. It is a Malaysian initiative to structure the dialogue between the CGDK and the Heng Samrin government in an indirect way. Like Malaysia's earlier demarche, the so-called "five plus two" formula brought forth in discussions between Tan Sri Ghazali Shafie and Nguyen Co Thach in early 1983, by the time the proposal was discussed among the ASEAN Senior Officials, it grew into a formula which is more in tune with ASEAN's hardliners and thus less appealing to Vietnam. Prince Norodom Sihanouk personally approved of the original Malaysia idea.

DIPLOMATIC POSTURES

It is evident that ASEAN's essential demands for a comprehensive political settlement are:

1. The total withdrawal of all foreign forces from Kampuchea under the supervision and verification of a UN peace-keeping force observer group.
2. The restoration of the independence, sovereignty and integrity of Kampuchea.
3. The establishment of a neutral, non-aligned Kampuchea.
4. National reconciliation of all Kampuchean factions;
5. An internationality supervised act of self-determination by the Kampuchean people.

These points have been re-emphasised at the recent ASEAN Annual Ministerial Meeting in Manila on June 24, 1986.

Apart from the above points it is anticipated that the USA should enter the strategic equation in Southeast Asia, a point particularly stressed in the 12 point proposal.

If the ASEAN position has experienced modifications over time, Vietnam's basic position has remained unchanged over the whole period of the confrontation. However, its diplomatic posture has changed markedly since it has accepted the international negotiation of Kampuchea. Vietnam's present negotiating agenda for an overall solution comprises five distinct points which are based on a January 18, 1985 statement by the three Indochinese foreign ministers:

1. The withdrawal of Vietnamese forces linked up to the "elimination of the genocidal Pol Pot clique."
2. Self-determination for the people of Kampuchea.

3. Establishing a Southeast Asian zone of peace and stability.
4. Respect of the national rights of the Southeast Asian countries by outside powers.
5. The institutionlisation of an international form of guarantee and supervision for the implementation of the agreements.¹⁶

Vietnam's bottom-line demand that the Pot Pot group be liquidated and entirely excluded from Kampuchea's future will be a major difficulty facing ASEAN in reaching an agreement on the solution of the Kampuchean problem. Vietnam is unlikely to succumb to ASEAN and international pressures as long as the Khmer Rouge under the Pol Pot clique remains a powerful political and military force in the CGDK. A possible solution -- given the ASEAN stand -- may lie in ASEAN's phased reduction of support to the Khmer Rouge in exchange for Vietnamese phased disengagement from the Thai-Kampuchean border as a whole. Vietnam introduced a new dimension in the 11th Indochinese foreign ministers meeting in August last year which is that total withdrawal of Vietnamese forces will be completed by 1990. If by 1990 the Khmer Rouge have not been liquidated, and if no negotiated solution has been reached then the only logical conclusion would be that the People's Republic of Kampuchea's own armed forces will have developed to such an extent that it is capable of shouldering the Vietnamese military burden.

The stalemate with Vietnam, however, continues. Vietnam's political will to stay in the course seems unshaken. ASEAN's position is much more difficult since it is supporting a political coalition, not a military coalition. Indonesia's role as interlocutor is still very much alive; it has only not been given much publicity which is done deliberately. If Indonesia is too eager to quickly and dramatically take initiatives, it may cause unnecessary political and diplomatic unhappiness on the part of Thailand and Singapore. Constant consultations are held with the front-line state Thailand to avoid mutual annoyance.

Meanwhile, president Norodom Sihanouk issued an eight point proposal to resolve the Kampuchean issue on March 17, 1986 entitled "Proposal for a political settlement to the problem of Kampuchea," and which consists of the following points:

1. Negotiations with Hanoi and possibly other countries on total withdrawal of Vietnamese forces.
2. A ceasefire to enable Vietnam to pull out its forces in two phases.
3. United Nations supervision of the withdrawal and ceasefire.
4. Negotiations with the Heng Samrin regime to establish a "quadripartite

¹⁶Pham Bin, *New Possibilities for a Peaceful Solution in Southeast Asia*, in *Indonesian Quarterly*, vol. XIII, no. 2 (April 1985), p. 202.

government" in Kampuchea with Sihanouk and Son Sann as president and prime minister respectively.

5. Free elections supervised by a UN observer group.
6. Restoration of an independent, neutral and non-aligned Cambodia with a "liberal democratic regime."
7. Foreign assistance to assist in the process of nation-building.
8. The signing of a non-aggression and peaceful co-existence treaty with Vietnam.¹⁷

Point 4 of Sihanouk's proposal is a positive development since last December when Prince Sihanouk as president of the CGDK, ostensibly rejected Minister Mochtar's suggestion for an informal meeting between the warring parties in Kampuchea, possibly in Indonesia, although personally he was sympathetic to the idea. Sihanouk might have been influenced by China which was apparently not prepared to welcome any Indonesian initiative on the overall regional arrangements in Southeast Asia. In February this year senior ASEAN officials met in Bangkok and some of their suggestions might have been incorporated in the coalition's proposal. This time it has China's approval; the eight-point proposal has become China's negotiating position as well. It could thus be considered China's indirect signal to the Soviet Union and Vietnam for the next phase in the process of resolving the Kampuchean crisis. The ASEAN's foreign ministers at their meeting in Bali on 28th April 1986 also "supported the Eight-point proposal as it reaffirms ASEAN's resolve that the Kampuchean problem has to be solved by the Kampuchean people themselves."¹⁸

Vietnam's outright rejection is certainly no surprise. Much depends on further rapprochements between Beijing and Moscow and on real progress in US-Soviet and US-Vietnam relations, as well as on the reduction of the Khmer Rouge military strength. Any effort to achieve a phased reduction of support to the Khmer Rouge may entice a phased disengagement of Vietnamese forces from the Thai-Kampuchean border.

However, Sihanouk's proposal is immediately offset by a disincentive. He acknowledged that neither he nor Son Sann are capable of effectively leading the four party government as set out in his peace proposal. He wrote that he himself and Son Sann will only be governing Kampuchea on paper. In reality it is the Khmer Rouge that will rule after the Vietnamese have left the country.¹⁹ This sentiment was already expressed earlier this year, by Sihanouk's son at an

¹⁷ASEAN Newsletter, March-April 1986, p. 11.

¹⁸ASEAN Documents Series, p. 467.

¹⁹Kompas, 15 May 1986.

ASEAN Senior Officials Meeting in Manila. The incapacity of both ASEAN and the CGDK to offer guarantees to Vietnam that the Khmer Rouge will not fill the vacuum in the wake of a Vietnam withdrawal will remain a major stumbling block to ASEAN demands: that Vietnam removes its troops from Kampuchea and the Kampucheans be accorded the right of self-determination. Thus the chances of a successful management of the conflict without big power military intervention are dim.

THE OUTLOOK

Settlement of the Kampuchean conflict should thus be conceived in terms of a consensual process rather than a be all and end all. Many more rounds of negotiations will still be needed to de-freeze prejudices, animosities and suspicion that have built up over the years. ASEAN should continue to endeavour to build mutual confidence and further explore areas of conflict resolution and co-operation. The dialogue should not only be conducted between ASEAN and Vietnam and the CGDK and the Heng Samrin regime, but also between ASEAN and the major outside powers. The unfolding of this process is to a very considerable degree determined by their interests and policies as well. China, for one, seems to have the power of veto in the process, and, with Thailand, has a leverage over the Khmer Rouge. The Soviet Union is probably the major victor in the Kampuchean conflict. ASEAN is now forced to acknowledge them as a factor in any solution. The importance of the Vietnamese bases to Moscow also increases Hanoi's leverage vis-a-vis the Soviets. The United States should be enticed out of its insistence on following the ASEAN lead which reflects its deep skepticism about the coalition chances of success.

Evaluating the current of events, the most likely conclusion of the conflict will be along the policies designed by both Vietnam and the PRK. Early in 1985 both have forecast that by 1978 the situation on the ground in Kampuchea would be "basically normalised." This normalisation would be symbolised by country-wide elections to which defectors from the coalition will be welcomed until after the events take place. Vietnam's withdrawal by 1990 will still leave a garrison of some 40-50,000 troops as is the case in Laos.

ASEAN, and Indonesia in particular, should continue to seek for a settlement of the Kampuchean conflict. However, ASEAN does not seem to be able to do much without a serious effort on the part of Vietnam. Indonesia's approaches to Vietnam has consistently represented ASEAN's concern of Thailand's security which resulted from Vietnam intervention in Kampuchea and Indonesia should keep trying to convince Vietnam that it is in its own national interest to rectify its credibility gap in relation to Thailand, Direct talks

between Vietnam and Thailand on the Kampuchean problem have been proposed and will be pursued.

The ASEAN spirit of solidarity is of great interest to Indonesia and will not be sacrificed. It is within this context that Indonesia wishes to achieve a settlement of the Kampuchean conflict both for re-fashioning relations between ASEAN and the Indochinese states and with the outside major powers in the framework of ZOPFAN. Bilateral relations between Indonesia and Vietnam should also be developed further, beyond the political dimension, in the field of developing river resources, trade, energy, fisheries, technical co-operation, all of which Indonesia and other ASEAN countries could offer Vietnam. These forms of co-operation should be conducted in the context of a Southeast Asian regional order with all regional countries actively participating. Such an agenda would strengthen our national and regional resilience to manage affairs in our own region.

Book Reviews

The Two Sides of Nationalism in Perspective

Nationalism, Regionalism and Security: Problems in Southeast Asia by Roeslan Abdulgani. New Delhi: Bannyan Publications, 1984, 101 pp. This review article by Dr. Burhan Magenda is translated from *Kompas*, 2nd February 1986.

One of the problems that has rarely been discussed is the relationship between nationalism and regionalism in many parts of the world, particularly in Third World countries, of which most have gained their independence after the end of World War II. People in Southeast Asia who are now enjoying the benefit of a regional organisation such as ASEAN, consider such a co-operation as something that is taken for granted. The reality in Southeast Asia itself, particularly the Kampuchea issue, has proved that the presence of this regional co-operation has to be continuously striven for. In the other part of the world, regional co-operation is a new endeavour, such, for example, SAARC in South Asia. The war between Iran and Iraq, which is entering its sixth year, and the protracted conflict between Ethiopia and Somalia are just two examples of conflicts between neighbouring countries, which ironically have been brought about by the strongest ideology that has created new states in the world: nationalism.

It is this important theme that is being discussed by Dr. Roeslan Abdulgani in this book comprising a collection of his lectures as guest

lecturer at the Faculty of International Relations of the Jawaharlal Nehru University, New Delhi, India, in mid-1984. Those lectures were given to commemorate the Indian poet and wellknown figure, Mrs. Sarojini Naidu.

TWO SIDES OF NATIONALISM

Elaborating the relationship between nationalism, regionalism, security and peace, Roeslan points out the importance of an equilibrium between the two sides of nationalism. The first side constitutes the anti-colonial character of nationalism in Asia and Africa, comprising political, socio-economic and cultural aspects. This anti-colonial nationalism often takes an extreme form, namely a feeling of chauvenism, which was in fact experienced by Western countries at the time when they were at the stage of consolidation "of their nation states" in the early nineteenth century.

On the other hand, the nationalism of Asian African countries was also influenced by ideologies on internationalism, which had developed widely since the early twentieth century. This was a reaction against the phenomenon of *Chauvenism*, which was exemplified by Roeslan together with the Pancasila ideology of Indonesia. In fact, the ideology of internationalism could develop due to being influenced by Western liberalism, which constituted "the humanitarian side" of the development of capitalism. Moreover, most of the Third World leaders were greatly influenced by the ideology of internationalism, be it liberalism, democracy or communism. Prominent figures, such as Sockarno, Hatta, and Sjahrir in Indonesia, or Nehru in India, even the generation of

the 1950s, such as Julius Nyerere in Tanzania and Leopold Senghor in Senegal not only subscribed strongly to the ideology of internationalism, but also utilised the role and support of the international world in the efforts to gain their nation's independence. More revolutionary figures, such as Ho Chi-Minh and Tan Malaka had even begun their political career on the international stage as International Communist agents in Canton.

Between these two sides, namely the anti-colonial nationalism which is inclined towards chauvenism and the characteristic of internationalism, there existed a gap, i.e. having a weak regional solidarity. This was caused by two main factors. The first one was to a greater extent a legacy of colonialism, namely mutual distrust among newly independent countries. "The colonial stability" was often established by drawing new territorial boundaries replacing the traditional ones. Co-operations between the colonial powers were disrupted precisely after mentioned powers had ceased to exist, taking the form of conflicts between the new states. This was especially related to the "lost territories," such as for example, Thailand's claim on its territory in Laos and Kampuchea; the Sabah issue between the Philippines and Malaysia, and the movements of the border tribes involving Burma and Thailand.

These conflicts did not only constitute Southeast Asian phenomena, but could also be observed in other regions for example, the conflict between Oman and South Yemen in the Middle East, the Kashmir issue between India and Pakistan and the problem of the Arakan people between India and Burma. Even the war between Iran and Iraq which is entering its sixth year originated from such a border dispute. Consequently, endeavours to establish a regional organisation has been hampered by those border disputes, which have automatically inhibit the realisation of regional solidarity. This is not a too strange phenomena if one remembers that Western European countries which has developed since the eighteenth century, could establish a strong regional solidarity only after the decade of the 1970s, in the form of EEC.

TRANSFER OF GENERATION

The other aspect of the colonial legacy, hindering the speedy creation of regional solidarity, is discussed separately by Roeslan, namely the typology of a different colonialism in Southeast Asia, and the emergence of a second nationalist generation in many countries. Roeslan's exposition on the typology of colonialism is quite well written to show the difference between the English, Dutch and French colonialism (in fact the Spanish and American colonialism in the case of the Philippines can be added here) in Southeast Asia. The core of the problem is how each type of this colonial power created the indigenous elites, who later became the embryo of the national elites after the independence. According to Roeslan, British colonialism was the most "liberal" (without including the case of the Philippines, in which America was basically a "half hearted" colonial power), whereas the French placed more emphasis on cultural assimilation but only for a very small number of elites (see for example, Leopold Senghor who is very sophisticated in French Culture and his talent for literature is outstanding which has led him to the nomination for a Nobel Prize winner in Literature).

The Dutch colonial power, according to Roeslan, lagged behind compared with the British, but was undoubtedly much better in comparison with the Spanish colonial power, let alone the Portuguese. Roeslan compared, for example, Indonesia with India, where the British created a great number of intellectuals of the middle class elite whereas the Dutch precisely eliminated the class of indigenous traders and was ruled by colonial officers who were generally "adventurers." This might be true until the nineteenth century, but by the end of that century one may observe that the Dutch colonial power also began to form an embryo of a colonial bureaucracy and to educate local officials.

Another aspect to be expounded is the fact that the Dutch colonial power (and especially the Portuguese) were very lenient in matters concerning mixed marriages, which could com-

compensate their difference with the British, the more so in view of the fact that the British were very restrictive in this respect. As a consequence, in the Dutch and Portuguese colonies, many national movements were pioneered by Western/Eurasian groups themselves, something which has never happened in British or French colonies.

This typology helps to explain why the train of thoughts of the national elites of the first generation were more internationally oriented, particularly amongst the metropolitans of the colonies. Interaction among fellow nationalists rarely happened so that Soekarno, Hatta or Sjahrir were closely acquainted with the Vietnamese or Indian prominents only after the proclamation of independence. Nehru, for example, frequently went to London, as was also the case with Ho Chi-Minh, whose orientation was certainly centred around politics in Paris, whereas Philippino elites had been since the beginning of the twentieth century averagely American educated.

This political socialisation had brought about different political perceptions, particularly in facing the penetration of the big powers in Southeast Asia during the decade of the 1950s until that of the 1960s. The first generation of nationalist were likewise influenced by the thoughts of "pre-colonial countries" or "Old Grandeur," such as, for example, the ideas of Moh. Yamin and Tan Malaka on "Greater Indonesia," the idea of Tengku Abdurachman's "Greater Melayu," that of Ho Chi-Minh on Indochina; Macapagal with his "Greater Philippines" of the former Sulu Sultanate, or even the prominent figures of the People's Party of Brunei in 1961 who were aspiring after "Greater Brunei" covering the whole region of North Kalimantan. Consequently, a feeling of suspicion arose against their bigger neighbours, causing them to look for an umbrella from without the region and made the realisation of a harmonious regional order difficult. This can, for example, be observed from the establishment of ASA in 1961 to face Indonesia, which was counter balanced by Indonesia and the Philippines with the idea of Maphilindo.

CONSOLIDATION OF ASEAN

In the light of the perception of the first generation of nationalists, it seems obvious that ASEAN's consolidation brought about by the second nationalist generation (particularly in Malaysia, Indonesia and the Philippines) is not incidental in nature, but constitutes the result of a maturing process of regional solidarity, after various internal experiences as well as due to the different relations with the big powers. Likewise the forming of SAARC in South Asia, after the emergence of the third generation in India (Rajiv Gandhi does not have the traumatic experience with Pakistan as was the case with his late grandfather Nehru and the late Indira Gandhi, his mother), is an indication of the emergence of an increasingly stronger regional solidarity.

This should also be seen from the angle of the fragmentation of the big powers' global strength -- such as, the US and the Soviet Union which has increasingly been filled by regional groupings. From this point of view, the regional solidarity may indeed be considered as an indication of the maturing of nationalism (nationalism coming of age) in Third World countries, so that it is not only sustained by the dimension of a strong national integration internally, but also by the spirit of internationalism and close regional co-operation externally.

This has been greatly elaborated by Roeslan, notwithstanding some necessary corrections here and there (for example, it is not quite correct to perceive the Coalition of Kampuchea being "Beijing made," since this would belittle Kampuchea's nationalism which has lasted for hundreds of years), he expounded the principal factors that hamper or accelerate regional co-operation based on a personal perspective of the author who has been involved in this important domain the greatest part of his life.

The Zuama Action at the Mecca Pavillion

The Republican Revolt: A Study of the Acehnese Rebellion by Nazaruddin Syamsuddin. Singapore: ISEAS, 1985, 359 pp. This review article by Dr. Alfian is translated from *Tempo*, 1st March 1986.

Another new book on rebellion. This time it is on the Darul Islam (DI/TII) rebellion in Aceh, which broke out in 1953. Its author is Dr. Nazaruddin Syamsuddin, Head of the Department of Political Science, Faculty of Social and Political Sciences, University of Indonesia, Jakarta. This book is originally Nazaruddin's dissertation at the Monash University, Australia -- based on field researches conducted in 1973 and 1975.

Nazaruddin, by virtue of this book, reveals to us the Acehnese Rebellion in accordance with the perspectives of those who rebelled. He invites us to trace back various political aspects in the environment of the Acehnese society, which made them rebel against the authority of the central government in Jakarta. Nazaruddin's approach differs from those used by some in their studies on regional politics which as a rule use a national perspective -- to view the regional political life and behaviour through national political spectacles.

What was produced by Nazaruddin is in fact not a novelty. A relatively similar approach was also used by Barbara S. Harvey in her book on the Permesta Rebellion -- translated and published under the title of *Permesta* by Grafiti Pers, Jakarta (1984).

However, through the approach he uses, one may understand that the main question Nazaruddin wants to answer is as follows: Why did the people of Aceh rebel? Were they motivated by (Islamic) Ideology, regional interests, or a combination of both? If they were motivated by the combination of interests, which one was the prime motive?

Those questions are difficult to answer without a comprehensive knowledge. In the Acehnese society there is a saying used as a life principle which says as follows: "Religion and tradition are like substance and nature." This means that religion (Islam) and tradition are two things that are, as it were, blended, and are consequently inseparable. Similar perceptions may also be found in some other ethnic groups in Indonesia, such as, those of the Minangkabaus and Balinese, where religion and tradition have become one, and constitute their common foundation of life.

Having conducted an intensive research, Nazaruddin arrives at the conclusion that the prime motive of the Acehnese rebellion was regional interest, not Islam. This was, among other things, due to the historical development, which relatively isolated the people of Aceh from the outside world.

According to Nazaruddin: "In Aceh, ethnicity, in so far as the period is concerned which is being studied in this book, is very important, partly because the Acehnese constitute a dominant ethnic group in that region, and partly because that region is nearly isolated from outside influence, causing the Acehnese to become very parochial in nature." This strong feeling of ethnicity has disabled Islam to function as an effective means of bridging the gap between the Acehnese and other Islamic ethnic groups in Indonesia. This does not mean that Islamic solidarity does not exert its influence upon the Acehnese community, but this is ranked second after loyalty to the region or ethnicity, in which ethnic and religious interests are implicated. Therefore, even though the Acehnese are ardent supporters of national Islamic parties, they are however not loyal to those parties but to their own region" (pp. 102-103).

It is clear that the main cause of the Acehnese rebellion was their regional and ethnic pride, which had been offended by, according to their perception, the improper treatment of the national government. According to Nazaruddin, shortly after the Proclamation, the ulemas, who were united in the PUSA (All Aceh Association of Ulemas) succeeded in

dominating the politics in Aceh after having paralysed beforehand the remnants of the group of ulebalangs. Hence, after the First Dutch Aggression in 1947, the national government appointed a PUSA prominent, Datu Beureuh, as the Military Governor with the rank of major general, for the regions of Aceh, Langkat and Tanah Karo.

Aceh however, which during the revolution was never touched by the Dutch, and became one of the important bases of Indonesia because the leaders and the people had fought for the interest of the Republic of Indonesia with extraordinary loyalty, felt being unjustly treated.

This was due to the fact that by the end of the Revolution, in December 1949, Syafruddin Prawiranegara, acting as Head of the Republican Emergency Government of Indonesia, dissolved the two military territories of North Sumatra, including the one headed by Daud Beureuh, and made them become two new provinces: Aceh and Tapanuli/East Sumatra. However, Syafruddin's decision was apparently not agreed upon by the national government, which was located in Yogyakarta. This rejection was formally conspicuous with the absence of the national government's representative on the event of the installation ceremony of Daud Beureuh as Governor of Aceh, on 30th January 1950.

Acehnese leaders made efforts to convince the national government to allow Aceh to retain the status of a province. But the national government had already made their own plans, and divided Indonesia into 10 provinces. One of the provinces was that of North Sumatra, comprising the regions of Tapanuli, East Sumatra and Aceh. And by the end of January 1951, the Cabinet headed by M. Natsir (Masyumi, Council of Indonesian Moslem Associations) officially dissolved the Province of Aceh.

The dissolution of the Province of Aceh led to the deep disappointment of the Acehnese leaders and people. They, who had been so loyal to the Republic during the Revolution, felt that they were treated unjustly. Although

the dissolution of the province of Aceh had been made by the Cabinet headed by an Islamic prominent, who was respected and influential, it did not mitigate the disappointment of the Acehnese people, because their regional and ethnic pride had been deeply hurt. Religious solidarity within the national scope was defeated by a deep feeling of regional and ethnic loyalty.

Why did the Acehnese rebellion break out only about three years later, on 21st September 1953? Why did they assume the name of Negara Islam Indonesia (NII - Indonesian Islamic State)? According to Nazaruddin, this was in fact due to the fact that the rebel leaders had prepared themselves for the rebellion since early 1951 while waiting for the right momentum to rebel. During that period national politics did show a decline of the role of the Islamic group within the government.

The Acehnese leaders and community, who believed that President Soekarno sympathised with their desire to base the state on Islamic values, or at least to make Aceh a region based on Islam, were shocked and disappointed with the Head of State's address in Amuntai on 27th January 1953. In that historic address, Soekarno affirmed that Indonesia was a national state, not an Islamic one.

It stands to reason that in the formation of Ali Sastroamidjojo's Cabinet in mid 1953, Masyumi, the very influential party in Aceh, was left out. The decline of Islamic influence within the government gave colour to and intensified the disappointment and concern of the Acehnese people, notwithstanding their prime motive, which were regional and ethnic interests. However, since according to the Acehnese perception, religion and tradition constituted a strong blend, it became easier for the local leaders to make them the symbol and ideology of their rebellion.

When the national government decided to make Aceh a separate province in 1957, the main demand of the local people was automatically fulfilled. Henceforth, the settlement of the Acehnese rebellion had proceeded smoothly. On 7th April 1962 Colonel M. Jasin,

acting as Chief of the Regional Military Command of Aceh (KDMA) promulgated the enactment of the Islamic law in Aceh. The following month, the main figure of the rebellion, Daud Beureueh, returned to the fold of the Republic of Indonesia. Peace prevailed in Aceh and concurrently development activities were resumed. Meanwhile, at the same time a number of young scientists, who are categorised by Nazarddin as seculars, came back from their emigration places to render their services to the region.

Nazaruddin's important contribution in this book does lie in his successful effort to depict and analyse the Acehne rebellion from the perspectives of the political dynamics of the local community. Although the religious community, through the PUSA, practically control political life in Aceh shortly after the Revolution, there were however two groups with different interests within the community. They were the group of ulemas and that of the zuamas.

The group of ulemas, aside from being experts in the Islamic religion, they also worked in the religious sector, for example, as preachers, religious teachers, and heads of offices for religious affairs -- except Daud Beureueh, who was appointed by the national government as Military Governor in 1947. Whereas the Zuama group comprised prominent whose knowledge on religious matters was as broad and thorough as that of the ulemas, they however worked in the field of public administration, except in sectors where specialisation would be needed, such as that of public health. Ali Hasjmi, Teuku Muhammad Amin, and Syech Marhaban were the principal prominent figures of the zuama group.

When the national government dissolved the Aceh province in early 1951, the profession of the group of ulemas was in fact not quite at stake. What was at stake was that of the zuamas, especially those holding important positions in public administration. They were liable to be demoted, on account of the presence of skilled and competent personnel who might be appointed from outside Aceh. In this respect one may notice that the engine motivating the

Acehnese rebellion was primarily the group of the zuamas.

When the national government decided to reinstate the Province of Aceh in 1957, the main demand of the group of zuamas was fulfilled. Accordingly they did not any longer have any reason to continue the rebellion. Hence, the settlement of the rebellion could be arranged. And, in the new Province of Aceh, the group of zuamas came to the fore as a significant regional political force. Their success in establishing co-operation with "secular scholars" who used to be migrants has brought about and developed a new colour to political life in Aceh.

Although the essence of Nazaruddin's elaboration and analysis on the Acehne rebellion is centred around the politics of the ulemas and zuamas in that region, yet it is also provided with an elaboration on the role of the "traditional" ulemas, who were mostly members of Perti, and had a quite strong base of followers in the Western coast of Aceh. Nazaruddin also enriches his elaboration and analyses with the perception and policies of the national government with regard to that rebellion, the attempt made by the ulebalangs (district chiefs) to exploit the tragedy in order to enable them to play an important role again in the politics of Aceh, its link to the rebellion of DI/TII in West Java and South Sulawesi, in the context of the PRRI rebellion and national political development.

However, usually as is the case with scientific writings, this book is not without flaws. For those who are well-informed in the political process in Aceh, since the Revolution up to the end of the period of the rebellion, perhaps one of the flaws in this book is the insufficient study of local rivalry, such as, that between Pidie and Greater Aceh. Those who are closely acquainted with the Acehne scholars who have returned from their emigration places to take part in the development of the region after the rebellion may raise the question why that group is categorised as "secular scholars."

Notwithstanding the flaws in this book, it does not diminish our esteem for its scientific

quality. Its language, elaboration and analyses are quite communicative and smoothly written so as to make this book a significant contribution to science.

The Role of Transmigration in the Development of the Indonesian Nation during 80 Years

Eighty Years of Transmigration of Indonesia (In Indonesian: *Sepuluh Windu Transmigration di Indonesia 1905-1985*) by Sri Edi Swasono and Masri Singarimbun (Eds.). Jakarta: UI Press, 1985, XXII + 339 pp. This review article is written by Iwan Hutajulu, a staff member of the Department of Socio-Cultural Affairs, CSIS.

The course of transmigration in Indonesia has already proceeded for 80 years. That course started as of the period of the Netherlands East Indies under the name of colonialisation. Since the Independence of Indonesia the name transmigration was used. This course of event is in fact relatively short for the development process of the Indonesian nation comprising more than 400 ethnic groups with different subcultures.

One of the objectives of transmigration as stipulated in Par. 2 Act no. 3, 1972 is to achieve the unity and integrity of the nation. Integrity refers to a process or processes enabling the people with different ethnic backgrounds and cultures living together in a certain region to develop cultural solidarity which should at least be sufficient to safeguard national existence. This definition gives more room to the implementation of the commitment to unity in diversity (*Bhinneka Tunggal Ika*).

The contents of this book consists of 25 articles written by a variety of authors with different knowledge about and concern with re-

gard to transmigration. The articles in this book can be classified into three sections. The first section is of a historical nature and comprises the old and new periods. The second section, deals with case studies, whereas the third section contains articles which are oriented towards policies. Of the 25 articles some appear to be particularly focusing on the integration and assimilation of transmigrants with the local people. This section is written by (1) Slamet Purboadiwidjojo, (2) H.J. Heeren and (3) Roch Basoeeki Mangoenprojo. Each is entitled respectively: (1) "In Search of a system to implement Transmigration of the Population on a large Scale," (2) "Some Problems on Rural Settlements in Indonesia," (3) "Errors in School of Thoughts of Scholars and Its Impact on Transmigrants." In addition to those there are still some articles which have some correlations with national development such as those written by Sayogyo, H.J. Schophuys, Loekman Soetrisno and Mubyarto. The other articles touch upon this subject only a little since they stress more on matters which are more technical, demographical and economic in nature.

The motivation to solve the problem of population density in Java, Madura, Bali and Lombok has generated endeavours to resettle population on a large scale to places outside the above-mentioned islands. One of the endeavours to stimulate the interest of prospective migrants is to create an agricultural and social environment similar to their original ones. This policy purports to enable the migrants to adjust themselves to the new settlement. In this way the people who mostly come from agricultural areas will be attracted by the transmigration programme to participate. According to Slamet Purboadiwidjojo, this policy which has been adopted in Gedong Tataan (approximately 25 kilometres West of Tanjung Karang in Lampung) since 1905, has brought about social and political enclaves. Everything in this place has been arranged in accordance with that of Java, including the structure of the rural administration, with the "kamituo," "lurah" (village head) and "asisten wedana," which is different from that of the surrounding community, which was a traditional one. (p. 10).

The government of the Netherlands East Indies tried to solve the problem by virtue of creating a system of "Kolonisatie in marga verband" (colonisation connected with a clan) (p. 19). "Kolonisatie in marga verband" constituted transmigration connected with a clan. The procedure for the settlement of land had been carried out long before the migrants arrive. The head of the residency of Lampung held negotiations with the rural administration of the clan concerned to return the clan's right on the land reserved for transmigration. The people received compensation in lieu of the tilling rights in that land. Usually the colonial government also extended compensations for the construction of, for example, school buildings, roads and bridges, clinics and irrigation networks. The transfer of land was made on the basis of the Marga (clan) Council's decision (p. 14). In this way the enclave policy which was socio-political in nature could be avoided. However in the social field differences between the population originating from Java and the local people still prevailed, "the distance" between the two groups of people was short of being conducive to the unity of the community. The foundation of the rural community's unity in Java constitutes the territorial boundaries, whereas that of the people in Lampung constitutes the family bond. (p. 14).

After the recognition of Indonesia's independence, the regional representative council decided to abolish the marga as a government institution. The Marga system of government was replaced by a new state apparatus using the Javanese pattern, namely by having a Bupati (District Head), Wedana (Ass. District Head) and Asisten Wedana (Sub-District Head). The provision made by the Dutch on the outer islands concerning customary "gemeenschappen" (traditional communities) was abolished. (p. 19).

According to Roch Basocki Mangocnprojo, government officials firmly asserted that transmigration did not constitute colonisation. According to the law and regulation in force it was conspicuous that colonisation differs from transmigration in terms of either its objective, aim or system of implementation (p. 100). Nevertheless Roch Basocki also quoted Colin Mac

Andrew's opinion who maintained that both concepts were similar. The aims of transmigration had been consistently similar since 1905. Even the basic pattern used was similar, namely resettlement. Mentioned resettlements were activities in land reclamation to be cultivated by a certain group of people, such as those frequently done in Southeast Asia and the forced resettlement of people in Africa. One of the stages of the resettlement scheme was to occupy open land prepared beforehand for new settlers. Such a mechanism has been adopted since 1905 up to the present, since it was named colonisation until it was changed into transmigration (p. 100).

Meanwhile according to Sayogyo, in the eyes of the local people the arrangement of the "transfer" of part of their land by the Regional Government to serve as resettlement villages might be felt as an act being similar to the old pattern of "the declaration of a domain" by the central government. In fact this facility has been provided for by UUPA 1960 (Basic Agrarian Act, 1960) for the sake of national interest. It just remains to be evidenced that national interest for all layers of the community in that area as meant could be felt as an improvement in the living standard of the entire community. If the channel for deliberations is not properly used a storm of protest would be launched by a part of a group who felt that they had been unjustly treated in that process, and it often happened that the protest was launched in the form of terrorism (p. 40).

Hence Heeren felt to differentiate absorptive capacity in terms of ecology from that of the social one. What is meant by the socially absorptive capacity is the number of new settlers that could be absorbed in a certain area without creating very serious social tensions. That capacity tended to be smaller than that in ecological terms (p. 29). However, the elaboration set forth by Heeren using the case of Surinam Javanese in Minangkabau - West Sumatra was inappropriate. Why did Heeren use the case of the group of Surinam Javanese as an example? The flaw in this case is that the Surinams of Javanese descent could not represent Javanese settlers in general, because according to Heeren this group had adopted some aspects

of Western culture. Consequently this might distract the conclusion, as though the Minangkabau people could not accept migrants from Java. Furthermore, it would not be of much use to contrast the group of Surinam Javanese with the Minangkabaus, since based on their attitude and behaviour Surinams of Javanese descent did not represent the characteristics of Javanese migrants in general. Apart from that the usage of the term "immigrants" from transmigrants was in fact inappropriate, because in the context of the Unitary State of Indonesia geographical mobility constitutes the right of every citizen.

According to Heeren, one of the difficulties in bringing about assimilation among ethnic groups in some Asian countries is the strong affinity to their own ethnic groups, so that it has hampered full absorption and has even created segregation. This may be due to the fact that the advantages of assimilation have not as yet been realised by the groups concerned. It has even been questioned by Heeren whether the Sumatran people were expected to learn Javanese or vice versa, or both groups should speak Indonesian? (p. 95). In this case Heeren forgets that one can learn the Indonesian language without having to forget one's own native language. An analogy might also be made of an Indonesian who has to learn English without having to forget the Indonesian language and perhaps some other languages.

The acceptance of transmigrants by the local people of Irian Jaya also constitutes a problem. According to Loekman Soetrisno, the issue on the acceptance or rejection of transmigrants by the local people has always been connected to the question of whether or not the two ethnic groups are assimilated (p. 116). The notion of assimilation referred to by Heeren, Loekman Soetrisno and Slamet Purboadiwidjo stresses too much on assimilation through marriages. This shows that the norm used by them for a successful assimilation has become too limited in scope. Whereas the notion of assimilation according to Milton Gordon comprised of 7 factors, namely: cultural assimilation, structural assimilation, assimilation by marriage, assimilation through identification, assimilation of attitude, behavioural assimilation and

civic assimilation (see Milton M. Gordon, *Assimilation in American Life*, New York: Oxford University Press, 1964). According to Loekman Soetrisno, the disharmonious relationship between the local inhabitants and transmigrants has often developed into a political issue in the regions. Transmigration has often been referred to as an attempt to "Javanise" the region. Worth noting is that political rumours often develop amongst regional intellectuals (p. 117).

In real life, the question on whether or not transmigrants are accepted by the local people often depends on the reason as to how the local people took upon the transmigrants in the light of their economic interest. In a region where the economic status of the local people is quite high before the advent of transmigrants, they will be quite accomodative towards the transmigrants. Reversely, if the local people have a low economic status, the tendency to reject the transmigrants will be strongly felt. In such a situation the local inhabitants consider the transmigrants as their rivals who will limit their room for activities in developing themselves. This kind of feeling seems to be analogous to that of the group of small workers in Europe in the 1970s against the flow of Turkish immigrants to that continent. In some respects the unfavourable feeling of the local inhabitants against the transmigrants are often related to their envious feeling on account of the facilities provided by the government to the transmigrants (p. 117).

To overcome the problem of social envy of the local people against the transmigrants on account of the different facilities, the Department for Transmigration has given the opportunity to the Regional Government to prepare the local people to be resettled as local transmigrants, as many as 10 per cent of the total number of transmigrants. In Irian Jaya the percentage of the local inhabitants participating in the programme of the Allocation of Transmigration Area for resettlement of Transmigrants has been increased to 25 per cent (p. 121).

Those local transmigrants are resettled in one location together with the other transmi-

grants. They are also provided with houses and acreage of land similar to those of the non-local transmigrants. The local transmigrants also receive similar transmigration packages such as guidance, certain social assurance, seeds and agricultural implements (p. 122).

By and large this book constitutes a compilation of sufficiently adequate writings on transmigration in Indonesia since 1905 until 1985. This book is also provided with a map of the transmigration locations as of the period of colonisation up to that of transmigration in 1984. There is only one flaw, i.e. it does not constitute one integrated whole in terms of

coherence. This is quite natural since this book constitutes an anthology written by many authors from various disciplines. After reading this book we might comprehend the problems of transmigration seen from various aspects and thus may widen our outlook on transmigration in Indonesia, which is often misapprehended by inexperienced observers. This book may provide an inspiration to those responsible for transmigration projects so as to enable them to assess as to what extent the implementation of the transmigration scheme has been fulfilled. In addition, this book would be more perfect if it is added with an article on the implementation of transmigration in another country, such as Israel, as a comparison.

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